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American Academy of Political and Social Science, Phila

# AMERICA'S INTERESTS AFTER THE EUROPEAN WAR

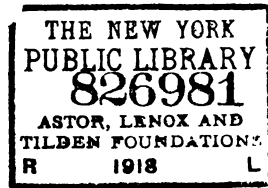


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## FOREWORD

Deprived of our national markets (see page 1), our industries paralyzed, and with labor and capital both unemployed (page 4), we Americans a few months ago began as never before to examine our own industrial organization to ascertain whether our industries could, through more efficient organization, be so stabilized as to be at once more productive and less amenable to at least the chance fluctuations in the industrial life of the nation or of the world.

The first symptom of our industrial distress was widespread unemployment. Organized labor (page 6) set in motion their own means for alleviating their situation. Leaders of thought addressed themselves seriously for the first time in America to the unemployment problem. This analysis led to a study of the different classes of unemployed (page 11) with a constructive program for each class (page 16) that would tend to stabilize opportunities for gaining a livelihood. Scientific surveys of the extent and nature of unemployment were undertaken (page 24) for the first time in this country in order that facts might shape the policies that might be adopted toward unemployment. The relation of our immigration policies toward our national employment problem—that is the problem of stabilizing American industries—naturally attracted increasing attention, particularly as to the effect of the war on immigration present and future (page 30) and the effect of free immigration upon steadiness of employment (page 40); for our welfare necessitates that our industries be upheld by the skilled and perfected by the permanently employed. In addition to teaching us the need for conserving and the ways to conserve our enormous labor waste, the war has taught us the necessity for better management in our industries (page 45). In fine, the war has given new meaning to the old lesson that obligations to others must be shared by all alike, not on the “enlightened selfishness” basis of the nineteenth century but on the social inter-dependence basis of the twentieth.

Domestic stability and national growth are dependent upon a stable increasing foreign trade. Our existing export trade has been won essentially by the manufacturers of highly specialized lines (page 51). Americans are beginning to do what the Germans

have long done—manufacture the amenities of civilization, for frontier regions are supplied with essentials from the mother country. To international trade “free seas” are imperative (page 60) though whether through the submarine or new standards of internationalism remains to be seen. Prerequisite to foreign trade, particularly our trade with Latin America, are international and commercial relations shot through with mutual confidence (page 66), adequate facilities for credit exchanges (page 71), all assisted by well adapted transportation facilities (page 81).

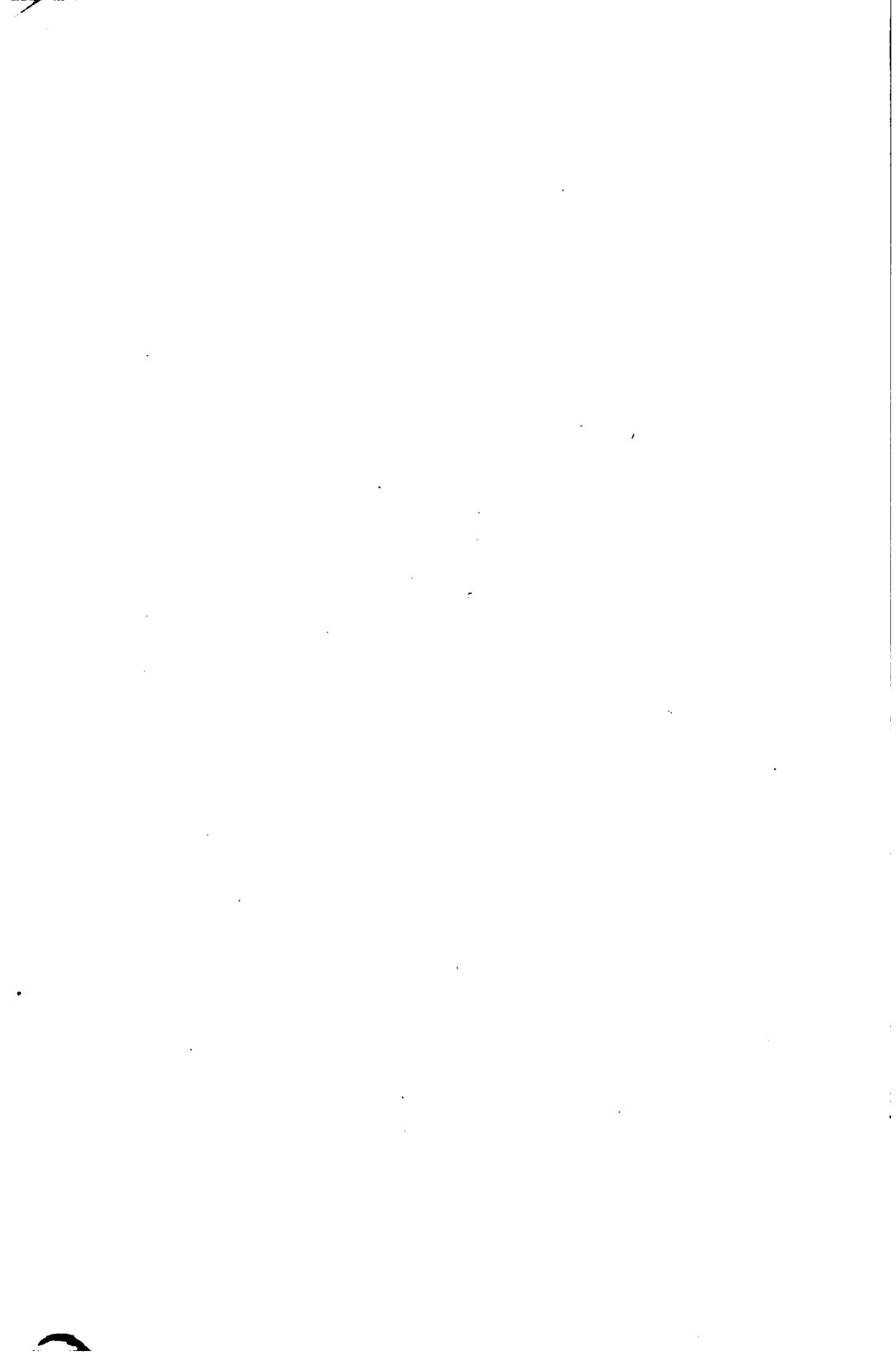
But the foreign and industrial policies of our government will avail naught unless the selling and management policies of our industrial establishments be the equal or superior to those of competing nations. The American tradition has been to protect our “infant” industries with no query as to whether we might also be protecting careless and inefficient management at the expense of the consumer. Happily of late there has been an increasing and wholesome inquiry as to just what the costs are and should be in American industrial establishments and our business men—many of them—have been keen to learn not only just what their unit costs are but also how their selling, manufacturing and employing policies can be improved. Industrial wholesomeness—the prerequisite to industrial supremacy—must wait upon industrial stability. And industrial stability will wait first of all upon exact knowledge as to the effect of idle plant on costs and profits (page 86). Scientific inquiry as to the effect of unemployment on the wage scale (page 90) and the results to the employer of steadying employment (page 103) are prerequisites to steady and maximum output and to an industrial justice that is just. A functionalized employment bureau (page 112) is a means to extensive savings to the employer, and to the employee it means higher skill and satisfaction through an adequate dependable annual income. For it was in developing the new profession of handling men (page 121) that employers learned what a heavy financial burden their large labor turnover has been to them as well as to their employees (page 127). Each management having assumed responsibility for steadying its own employment, a national system of labor exchanges (page 138) will help to conserve our vast human resources. Efficiency in industries does not mean exploitation for there can be no efficiency where workers are exploited. It augurs well for our industrial well-being to find

the intellectual leader of the scientific management school placing as great emphasis on democracy in industry as on efficiency and economy (page 146).

Of equal importance to the management policies of our industries are their manufacturing and selling policies. The first step toward sound manufacturing and selling policies is accurate knowledge of unit costs through cost accounting (page 165) and knowledge of the working conditions prerequisite to maximum output (page 174). Then must follow some plan that closely relates responsibility to ability and reward to service (page 183), though no one plan will attain these ends in all establishments. Indeed the principles of management can be applied as well to agriculture (page 187) as to manufacturing. And certain it is that in both public and private work both mobility and maximum output wait upon standardization (page 199). Scientific management—that is management based on facts rather than on tradition and supposition—will make the best in human happiness and comfort out of our titanic human and natural resources (page 208).

But industrial development and civilization are bootless indeed if they are to be ruthlessly destroyed by war. Hence the vital concern to all of a more constructive basis for internationalism (page 217) without necessarily neglecting defense problems (page 263) or underestimating the effectiveness of economic pressure as a means of conserving peace (page 270). Certainly prolific causes of international discontent have been land acquisition (page 245) and the desire to extend free land (page 252). Nothing is now dearer to the heart desires of American people than the contributions America can make not only toward the settlement of the present war but toward a permanent peace (pages 230, 235, 239, and 243). Our national well-being, the conservation of our efforts, social, political and industrial, hang in the balance. For the cable, the aeroplane, and the submarine have made nations as dependent upon each other under twentieth century conditions as are individuals. A "social point of view" must now be supplemented with the nationalism of a world citizen.

CLYDE LYNDON KING.



# AMERICA'S INDUSTRIES AS AFFECTED BY THE EURO- PEAN WAR

BY ALBA B. JOHNSON,<sup>1</sup>

President, Baldwin Locomotive Works, Philadelphia.

The usefulness of the American Academy of Political and Social Science consists not only in the discussions of important topics in its annual meetings, but in the wide distribution of the opinions expressed in the papers which are presented at these meetings. In the nature of the case it is impossible for the great body of those throughout America and other countries, interested in the subject dealt with, to be present at these meetings. Nevertheless, the opinions expressed by the learned thinkers, who are specialists in their particular fields of activities, go forth to all interested in these subjects, not only in Pennsylvania and the United States, but to thinkers throughout the world.

During the twenty-five years of the existence of the American Academy of Political and Social Science there has been issued a series of timely publications, each expressing the latest thought upon the particular subject dealt with. In these publications are recorded the contributions of the American Academy of Political and Social Science to the progress of the world's thought.

When the war broke out at the beginning of last August, the first result was the sudden and complete paralysis of the financial fabric of all the nations of the world. In this financial cataclysm their only safety was found in the establishment of moratoria of sufficient length to give time for consideration of the new conditions and for study of the methods to be adopted for safeguarding the interests of each. Not only in our own country, but everywhere, the cessation of financial operations, including the closing of the stock exchanges, occasioned a discontinuance of everything looking to new business, deprived the industries of their markets and left the manufacturers with nothing to do but to carry out so much of

<sup>1</sup>Remarks as presiding officer at the first session of the Nineteenth Annual Meeting of the American Academy, held in Philadelphia on April 30 and May 1, 1915.



their existing contracts as were not affected by the outbreak of war. Prior to the war a condition of business prostration had already existed. It does not seem necessary to go into the various causes which created this depression, and if we were to undertake to quote them, each would be regarded as debatable. Amongst them may be counted the change of administration, the various measures which were carried through as part of the program of the new party in power, the fear of unwise legislation and the uncertainty as to what the future policies of the government might be. All of these had already exercised their influence in retarding the business of the country. Then came the declaration of war, which put all large business to an end. We discovered not only that financial operations had stopped, but our merchants, manufacturers and shippers found that, because of our dependence upon the vessels of other nations, the means of continuing our foreign commerce was withdrawn. With superabundant crops, it was impossible for us to send them to market.

Little by little we have been emerging from that condition. The necessities of the various countries of Europe have compelled the resumption of shipments of our grains, cotton and other materials. The belligerents have placed with us contracts for vast sums of war material. This has established an activity which in certain lines of business is almost feverish, but it has not created general prosperity. Many lines of business, not stimulated by the war, have not yet been aroused from their lethargy. Particularly is this true of the enormous industries dependent for their prosperity upon that of the railroads. The railroads have not yet begun to purchase. Next to agriculture they constitute the largest single interest in the United States and their purchases constitute the most potent factor in the creation of business prosperity. The growth of our exports, combined with the practical cessation of imports, due both to the demoralized condition of our own business and the cessation of manufacturing in Europe, has created a balance of trade in our favor which is unprecedented in the history of the country. According to the most conservative estimate this will amount to at least one billion dollars a year, and many place it as high as a billion and a half, which the world will owe us for our shipments over and above the amounts which we have purchased abroad,

The creation of the system of federal reserve banks has given new confidence to business, which is an encouraging sign. It holds out the hope that the severity of business depressions in the future will be modified. It has released a large amount of capital hitherto maintained in reserve and, therefore, in idleness. We are looking forward to a repetition of the abundant crops of last year, and furthermore we are growing accustomed to the fact that the great war in Europe is proceeding and will proceed until a rational peace is arrived at. We have, therefore, come to regard the belligerent conditions in Europe as in a sense normal, and we are adjusting ourselves to create the maximum prosperity consistent therewith. We can now turn our attention to our problems as they will exist after the European war, in the light of what that war has taught us.

## EUROPEAN WAR INFLUENCES UPON AMERICAN INDUSTRY AND LABOR

By SAMUEL GOMPERS,

President, American Federation of Labor.

When men were thinking of international peace, secure in the conviction that there could never be another great war, suddenly all of the countries of western Europe were plunged into the most stupendous conflict the world has ever seen. The spirit of civilization had been brooding over the things of the common life, breathing into them an appreciation of the sacredness of human life. Civilization had been laying wise and skillful hands upon the forces of Nature to make them serve men to promote their well-being and development.

Infinite patience, thought, skill, energy had been busy in the task of finding some new thing to conserve and to glorify humanity. There were minds rich in culture, characters of infinite courage, and hearts tender with love of human beings that counted all gain that brought opportunity into the lives of men—opportunity for physical, mental and moral health and development.

In the midst of all this came the fearful war cry. We of America, far removed from the sound of drums and the march of mobilization, looked at one another and murmured, "It can't be true." Grim realization came as we felt the shock of the revolutionary changes that paralyzed industry.

The stupendous conflict shook to its foundations the structure of organized society. Industry and commerce are organized on a world basis. Markets have international sources of supply and they meet the demands of international buyers. The monetary medium for international exchange is responsive to international influences. The intricate structure of credit extends its gossamer threads about all the markets and ports and bourses of the world. Supply and demand are estimated from a world viewpoint. Communication was organized to meet the needs of world commerce and industry.

When the disrupting forces of war hit the world structure of civilization, then did we in the United States realize the war was a

reality. Though far away from the bloodshed, from the horror of the maimed and the dead and dying, yet something of the brutalizing spirit of war extended even to our isolated continent.

Through no fault or act of theirs the working people of the United States have been made to feel the consequences of a war caused by the spirit of greed and aggrandizement on the part of irresponsible governmental agents. Autocracy, secret diplomacy, militarism, forced a war which brings grievous wrongs, losses and misery upon the wage workers of Europe—aye, which robs them of life itself—and which indirectly carries suffering and misery to the wage-earners of all the world.

The European war ruthlessly reversed the purposes and ideals of civilization. War is always revolutionary and destructive of life and civilization. The outbreak of this war dislocated American markets and trade.

The first stage following the cataclysmic struggle was one of stagnation. Business men, government officials, scientists, commercial and industrial associations considered carefully the conditions confronting them and estimated their needs and resources. The way problems have been solved and new opportunities utilized proves that Americans have qualities of adaptability and resourcefulness assuring continuous progress.

Necessity forces invention. American ingenuity and enterprise have not failed in this time of need. American industries find they can supply many of their needs and have found uses for what was formerly industrial waste. The war has opened up tremendous economic opportunities—some temporary, others permanent. After the first reaction came an industrial impetus. Business reached after new opportunities. American financial genius protected our interests and made this the world's money center.

What has been done to meet industrial and financial emergencies and needs has been due chiefly to private initiative and private enterprise. It is the American characteristic—ability to do things—that has served us in this time of need. That American spirit of self-reliance and initiative is the most precious possession of the nation. It is the spirit that can dream and dare and achieve. It is invincible.

Now turn to the human side of adjustment to war conditions. Have the men and women employed in industry and commerce been

as carefully and wisely provided for as material interests have been?

The first shock of the war, which brought stagnation to industry resulted in the closing of shops, mills and docks, and meant unemployment for wage-earners. All along the Atlantic coast industry and commerce were dislocated; shipping was tied up; men found that the war had taken away their work, their source of livelihood. Their number was increased by the sailors from interned foreign vessels. Factories dependent upon European trade or products began to run part time and then stopped. During the period of readjustment many workers were without the means of earning their daily bread and they had but little laid aside. At the same time they were threatened with the menace of war prices. Six cent bread meant tragedy to east side New York and similar localities where wage-earners live. The brutalizing spirit of war laid hands on American industry—workers were deprived of employment and were exploited by war prices which meant unwarrantable and exclusive advantages to the profit mongers.

As the weeks went by the amount and extent of unemployment increased throughout the country. Unemployment means to most of you here an industrial and social problem—to the wage-earner it is a personal experience. It means hunger, misery and despair. Bread lines have been very long during the past winter. Women as well as men have been in these bread lines. A bread line leaves an indelible scar on the hearts of those who have undergone the humiliation. It means that a human soul has been beaten in the struggle for decent self-respect.

Constructive efforts to meet this human need came from the workers. Wage-earners are so close to the raw stuff of the experiences of the common struggle for a livelihood that they appreciate more keenly the meaning of unemployment and they know that their own well-being is very intimately involved. Unemployment in some callings means increasing the supply of available workers for many others. Organized workers are a power which can and does say to heartless greed for profits—Stop your brutality. Those wage-earners who were organized were able to take care of themselves and to maintain American standards of living. Again as in the last financial crisis they raised the slogan, "No wage reductions," and warded off the policy whose cumulative effect would have shaken the whole

economic structure. A policy of wage reductions would have destroyed confidence and hence would have undermined credit.

Through their economic organization organized workers had the means by which they could make adjustments necessary to protect human interests from impending perils. Those who are unable to defend themselves are always made to bear the brunt of hardships. Organization is the method by which the workers can protect themselves from being made the burden bearers in all calamities and can secure an equitable participation in prosperity. In all cases it is power for self-protection that is their safeguard. The constructive efforts made to help the workers during this emergency were made by the labor organizations. As I said before, they stood solidly for maintenance of wages which meant maintenance of American standards of living and checking the diminution of purchasing power.

The constructive power that protects the workers in war time is the same power that protects them in peace. The economic organizations were the agencies that enabled them to cope with unemployment and to relieve in some measure the distress caused by the war. Through trade organizations the workers are coöperating with responsible national, state and municipal authorities to meet emergencies while at the same time safeguarding the workers from exploitation which naturally results from the ruthless, brutal spirit which war engenders.

The labor movement of the world is the one agency whose members have been loyal to fatherlands in the time of peril and yet have with insistent emphasis and appeal upheld the sacredness of human life and opportunity and the brotherhood of man. While bearing burdens of the war they are still maintaining standards that dignify human life and are creating and directing influences that will have an important part in establishing peace and the constructive work which shall make for greater justice in international relations.

The United States as well as the whole world has suffered through the disrupting influence of the war. In the United States the organized labor movement has dealt constructively with the needs and the emergencies created by the war.

Where production was decreased, wherever possible they provided that work should be equally shared, that those of their trade should not be added to the number of the unemployed. Through

their trade benefits they helped fellow workers who were out of work, while the trade organization assisted them in finding employment. The trade union movement acted as a steadying force to all industry by steadily and determinedly opposing irrational, erratic changes.

Organized labor furthermore made demands upon municipalities and all government authorities that public construction work should be continued where contracts had been let and that beneficent new work should at once be undertaken wherever possible.

The organized workers were alert to opportunities, aware of their own interests, able to protect themselves and those dependent upon them. They manifest the American characteristics, resourcefulness and adaptability that enabled us all to weather the difficulties resulting from the war. We have fostered and developed the spirit of self-reliance and initiative necessary to national life.

The workers upon whom war burdens have fallen most heavily have been the unorganized. Their suffering has been inarticulate, helpless misery. They were without the means of expressing their misery or their needs. They have benefited indirectly from the efforts of organized labor but that did not relieve them of the heavy weight of the burdens of the industrial crisis.

The army of the unemployed has been made up largely from the ranks of the unskilled workers. It is a well known policy of large corporations employing unskilled workers to have available a greater number of workers than they regularly employ. This condition is a menace to steady employment. It is intended not only to discourage efforts of workers to secure higher wages or better conditions of work, but is also used as an instrument to enforce lower standards. Where there are two or three waiting for a job it takes more than human courage to make a stand for rights—the workers have to think each day of daily bread for the next day. To stop work means to go without food.

This condition is largely the result of superinduced immigration. Shipping companies and big employers of unskilled workers have stood for a policy of unrestricted immigration. For many years that policy did little harm, but now the frontier opportunity has ceased to exist and the number and the character of the immigrants are such that they can no longer be assimilated by the American nation. Some restrictive policy must be adopted.

In addition to a situation already grave, our nation must face after-war consequences. There is no doubt but that the war will be followed by a tide of emigration of unparalleled proportions. The countries that are now engaged in the bloody struggle will seek some way to escape caring for derelicts of war, the mental and physical wrecks and those who have been ruined financially. The incompetent and those who probably may become a burden upon the community will be encouraged and perhaps assisted to emigrate.

You have only to turn to our southern border line for verification of this assertion. Responsible authority informs me that Mexican military authorities have been furnishing free transportation and otherwise encouraging the emigration of dependent women and children, and the men who are unfit for service in the army or unable to work.

What is taking place on the southern border is a very insignificant reminder of what will happen at the close of the European war. Now is the time to make provisions against that impending disaster.

The end of the war will bring to our country another economic reaction. Those industries that have been stimulated because of a demand created by the war will come upon a period of idleness. New industries that have been developed to supply articles which Europe furnished us before the war will have to meet competition. There will follow in our country a period of readjustment. Again the burdens of that transition will fall most heavily upon the workers, particularly the unorganized workers. Organized workers in the main will be in a position to protect themselves through agreements with employers. The unorganized will be without the means of meeting the difficulties.

The power of the workers to protect themselves is of tremendous importance to the nation—it means to protect the bone and sinews of the nation; to conserve the men and women who do the work necessary to the nation's life; to maintain unimpaired the standards and ideals of American free men.

The lesson of the European war as it affects the American wage-earners demonstrates again the value of the labor movement to a democratic people. It is the way by which the great masses of the nation can think out their industrial problems and order their own lives.



The labor movement has also its social and political influence that will aid in establishing justice at the end of the war. It will be the greatest force opposing reaction that always results from the brutalizing influences of war. It will be the most potent force to compel relations that shall subordinate all else to human welfare.

When the wage-earners refuse to bear the consequences of deeds and policies for which they are in no way responsible then will those in authority consider more carefully, before they start into activity, forces whose evil consequences will bring hardships and suffering. The working people are more clearly conscious of the extent and the nature of their power than ever before, hence they are in a position to secure for themselves increasing recognition in determining the affairs of industry and of international relations. The wage-earners will, I am sure, make their power felt.

In addition to the industrial and commercial issues that the war has raised, the working people of the world are concerned as to what shall be determined with regard to the evil forces that are largely responsible for the war—autocracy and militarism. Through their organized economic power the wage-earners exert a tremendous power in political affairs as well as in industrial and commercial, and they propose to see to it, through their international economic organizations, that democracy shall be assured control in international affairs.

Democracy must be established and endowed with power and authority. That can be done without militarism. Militarism must fall through gradual disarmament.

Democracy will be maintained by able, free citizens alert to discern their own rights and to distinguish the right, able and willing to maintain justice for all.

When democracy shall have established justice in international relations, then shall the wage-earners of every land have greater opportunities to give their ideals reality in everyday life and dream and plan greater things for all mankind. They will no longer be unresisting pawns for war slaughter or the less spectacular slaughter of industry and commerce. In every relation of life organized labor will establish the principle of the sacredness of human life and will not only oppose the brutalities and the waste of war, but also of peace.

## AMERICA'S UNEMPLOYMENT PROBLEM

BY HENRY BRUÈRE;

Chamberlain, New York City.

It is fallacious, of course, to assume that unemployment conditions in 1914-1915 were solely due to the European war. There prevailed in cities of the United States in 1913-1914, prior to the war, conditions of unemployment which were adjudged abnormal by such comparative information as was available. In 1915, conditions were aggravated due, in general, to the prolonged and increased stoppage of industry partly occasioned by the war. But it would prevent sincere thinking and vigorous constructive effort in regard to the unemployment problem to start with the premise that all unemployment is one of the consequences of war disturbance. The fact is that involuntary unemployment of large numbers of workers is a normal condition of our industrial life, varying, of course, with fluctuations in general industrial conditions. The further fact is that the chronic prevalence of involuntary unemployment has been one of increasing development for a period of years until now it regularly manifests itself in acute form in industrial centers during the winter months.

Dealing with the continuing problem of unemployment has, up-to-date, been generally ineffective and local, and unproductive of permanent results. This has been due to a variety of causes, the principal among them being the assumption that hard times are the sole occasion for unemployment and that temporary expedients, therefore, were all that the situation demanded. The item of encouragement in recent experience is the widespread attention that has been given to unemployment not as a problem of philanthropy, charity, or relief, but as one of industrial disarrangement. This attention has been given by committees of citizens appointed by mayors or governors or by wholly unofficial bodies in practically all of the industrial cities in the United States reaching from the Pacific coast to New England. Apart from the provision of temporary relief, the chief product of the efforts of these bodies has been, up-to-date, a series of reports framing more or less tentative con-

clusions upon generally inadequate data with regard to the scope, character and treatment of unemployment. These reports are beneficial and represent the thought on the matter which must inevitably precede constructive measures.

The committees on unemployment have necessarily given first thought to emergency relief of those who are distressed as a result of continued unemployment. In seeking to formulate preventive measures they have suggested the following steps, which I list in the order of the frequency of their occurrence in the recommendations of the committees whose reports I have analyzed:

1. Organization of state and municipal employment bureaus on an efficient basis;
2. Study of labor conditions and undertaking of municipal improvements and other public works during periods of industrial depression, to act as an impetus to the labor market and an incentive to business conditions generally;
3. Employment of citizens and residents as against outsiders, particularly on public contracts;
4. Adoption by employers generally of a policy of part time work in slack periods as against horizontal cuts in working forces;
5. Establishment of vocational training and trade schools;
6. Adoption of ordinances regulating private employment agencies, in order to eliminate the grave misrepresentation, extortion, and dishonest practices frequently complained of and found to prevail;
7. Making the peddling business financially easier so that industrial workers during times of unemployment in their regular activities would be enabled to earn a living;
8. Provision of insurance against unemployment;
9. Appointment of emergency advisory committees, consisting of representatives of railway, manufacturing, mercantile, banking, contracting and organized labor interests, to stimulate employment in private trade and industry;
10. Establishment of rural credits along the lines of European experience, to make farming more attractive and profitable; and the creation of rural organization after the type of the German *Landwirtschaftsrat*.

Partly as a by-product of the recent public discussion of unemployment and partly in response to a more general recognition of the inadequacy of private agencies, there has been in the past several years a notable extension of public employment offices. Within two years five states and two cities have established public employment offices along approved lines, the most notable examples being the city and state of New York. These agencies, together with the federal plan of employment registration recently instituted

by the department of labor through the post-office department, are the only concrete evidences of government interest in unemployment to date.

The regrettable fact is that there has been a conspicuous lack of attention to the fundamental questions involved in unemployment by either state or national governments. The Federal Commission on Industrial Relations and minority members of Congress have respectively proposed legislation for a federal system of employment bureaus, though the former failed to present its bill this year. But both state and national governments have as yet evidenced no adequate concern or made effective effort with respect to this great question which cannot be dealt with by cities or private organizations, but must be met by vigorous constructive action either by the state governments or by the federal government itself.

New York City's experience in the field of unemployment parallels the general experience of other industrial communities. In 1914, the city received an index of employment conditions through the rapidly increasing number of applicants in the municipal lodging house.

From attention to this condition there developed a community concern for the homeless man. This led to the discussion of the "jobless man" and this in turn gave rise to the consideration of general unemployment conditions. Conferences of various kinds were conducted in the city, but with the exception of voluminous discussion nothing was achieved but the establishment of a Municipal Employment Bureau by which the city itself, for the first time, gave evidence of community responsibility for dealing affirmatively with problems of unemployment. I need not go into the details of the establishment of this bureau, for the lines followed were those demonstrated as generally expedient and successful in other cities.

In 1914-1915, partly because of a considerable amount of agitation by the so-called radical element of the city, New York was generally prepared to give serious thought to unemployment. The organized charitable agencies were the first to attempt to meet the conditions resulting from unemployment. They were confronted with a rapid increase in demands for relief made by persons forced into destitution by prolonged unemployment. The city government was concerned with the problem from three angles:

1. The care of the homeless man;
2. The increase in applications for admission to public institutions of the dependent members of the community,—children and the aged and infirm;
3. The interest of the police in the prevention of disorderly assemblages and a repetition of acts of violence perpetrated in 1914, occasioned by the prevalence of large numbers of persons desperate or emotionally susceptible because of inability to find work.

Back of all of these factors there existed in the minds of the mayor and other officials of the city government a conviction that no haphazard treatment of the problem would lead to any consequential relief of distress or to the framing of any measurably effective plan either for the resumption of employment or the prevention of future unnecessary unemployment.

It was immediately apparent that adjustment could not be obtained by any of the parties chiefly concerned in the conditions leading to unemployment acting independently: (1) by the unemployed, because of their lack of organization, resources and means of obtaining employment; (2) by the charitable organizations because of the inadequacy of funds available for charitable relief; (3) by the city government because of the limitations of public funds and the impossibility of providing public employment for any appreciable number of the unemployed; (4) by the employers because of the absence of a policy, provision or method among employers, as such, for dealing with the general reserve of employables cast out of work by the stoppage of business or seasonal or other fluctuations in employment demands. In short, there was apparently a need for correlating by some means the resources and interest of all the parties immediately affected by unemployment conditions.

To meet this situation it was determined to establish a clearing house and a common instrument of coöperation through a committee representing not only the generally good and interested citizenship, but the different elements of the community who were affected by or had direct contact with unemployment conditions. Primarily, the large employers of labor and leaders in industry whose institutional policies might be presumed to have some effect upon the general business conditions were brought into the committee, under the chairmanship of ex-Judge Elbert H. Gary of the United States Steel Corporation. This committee was asked to deal with two problems: (1) The immediate emergent problem of providing relief or employment for those in distress; and (2) the formulation

of some plan to deal successfully with the causes of unemployment where they are remediable, with a view to subsequent diminution or prevention of unemployment.

Information regarding the efforts made by this committee during the past winter is available in the reports of the committee. Relief provided consisted principally in publicly supporting the efforts of private philanthropies to obtain funds, and in providing emergency employment through temporary workshops organized through volunteers in various parts of the city. These temporary workshops employed daily a maximum of 5,000 people and were maintained for three months from funds provided by private subscription. To stimulate employment numerous expedients were attempted. Employers were generally appealed to by circular, public meeting and conferences, to make special effort to furnish employment either by dividing work between a larger number of employees on part time as against a horizontal reduction of the working force, by manufacturing goods in anticipation of prospective demands, or by giving preference in employment to married employees. These appeals bore some fruit, but running as they did generally against the business interests or financial ability of the employer, they did not materially affect employment conditions. Similarly, the city, state and national governments were asked to expedite work already planned. In the case of the city department heads advanced contemplated work so that it might be performed during the period of greatest stress.

The first task in dealing constructively with unemployment, of course, is to obtain information of the number of unemployed. This was done in New York through a statistical canvass of representative industries, comparing employment conditions of 1913 with those of 1914, made by officers of the telephone company serving on the mayor's committee, and by means of an inquiry made by one of the large industrial insurance companies among their 800,000 New York City policyholders. The computations thus made based upon the nearly two and one-half million industrial workers in the city led to the conclusion that the unemployed totalled somewhere between 350,000 and 400,000<sup>1</sup> or approximately 16 per cent of the

<sup>1</sup>A check census made under the direction of the United States Bureau of Labor Statistics coöperating with the Mayor's Unemployment Committee in February, 1915, showed that this figure was approximately correct. The labor bureau estimated 398,000 as the number of workers other than casual workers unemployed.

total workers. This estimate, however, gives us no indication of the average number of the unemployed in so-called normal years, nor what proportion of this total is seasonably unemployed or intermittently unemployed. Nor was this total divided between male and female workers, or minors and adults. All such information should regularly be obtained by federal agencies with non-partisanship and zealous regard for accuracy.

For the purpose of this discussion the aggregate number of unemployed is irrelevant except as it bears upon the adequacy of relief measures adopted, and serves to stimulate community interest not easily aroused with respect to small questions. There are those who assume a fatalistic attitude towards this problem, and, reasoning from the general adventitious character of all classes of employment, conclude that unemployment can only be dealt with by the operation of the little understood and complex processes of industry, business and trade. These are, however, decidedly in the minority. It is clear, I think, that the prevailing public opinion of America is ready to support a constructive program for such alleviative, protective and preventive effort as may be instituted to minimize the wide fluctuations in opportunities for gaining a livelihood which occur in our industrial communities.

Obviously, clear thinking demands that we separate the problem into its various elements. This the New York committee has done, and is seeking to develop a program with respect to each one of these elements, which are substantially as follows:

1. Juvenile employees, involving industrial and vocational training and vocational guidance;
2. Seasonal occupation;
3. Itinerant workers, vagrants and the considerable group of casual workers classed as hoboes and described as homeless men;
4. Unemployable defectives who are unable to sustain prolonged periods of unemployment and who are unfitted for continuous productivity;
5. Immigrants whose energies and particular abilities the community at any particular moment is unable to absorb.
6. Unskilled workers thrown out of employment by more vigorous and lower paid immigrants;
7. Clerical and office employees whose number is generally in excess of employment opportunities and who are indiscriminately developed by schools;
8. The general class of casual workers including dock laborers, railroad construction employees and assistants in building operations, etc.;
9. The unemployed reserve of workers developed in the process of adjustment, migration, coming to working age, etc.

For each of these groups special methods of preventive or alleviatory action must be devised. In practically every case the relief will come only through constructive measures and persistent education. In this work effective leadership must be supplied either by the state or federal governments. Individual employers and groups of employers may take steps to regularize industry through the reduction of seasonal employment. Illustrations in this field are furnished by several industries in which beginnings at least have been made, such as the Dennison Manufacturing Company, the Plimpton Press, and here and there an employer in the garment trades. But regularization is still prospective rather than achieved.

New York and Boston have made beginnings in the systematic consideration by employers of employment questions, by the organization of employment managers associations looking to the development of a policy of employment, especially with reference to minors. Involved in this policy is the coöperation of employers with the public education authorities looking to cutting down on one side the heedless manufacture of unemployables by the schools, and on the other side to checking the ruthless discharge of employees for varieties of preventable causes.

I have space and time only for the most casual reference to other often discussed and needed measures for intelligent treatment of unemployment. Very adequate programs have been prepared by Dr. John B. Andrews, secretary of the American Association for Labor Legislation, and by Miss Frances A. Kellor in her recent book *Out of Work*. We are not so much in need of programs as we are of authoritative leadership and resulting effective action.

There has been much discussion of the possibility of timing public works so that they may fill the gaps of customary industrial inactivity. This can be done if ever political bodies come, as they should, to feel themselves a part of our general industrial system.

I am not hopeful of great benefit flowing from attempts to divert large numbers of the industrial population to the land. Here and there state departments of agriculture have made effective beginnings in supplying workers from cities to farmers, but this will not prove successful until attention is given to conditions of rural employment and to farm life such as has been from time to time suggested, but has not yet been achieved.

Of all the constructive plans yet suggested susceptible of im-



mediate adoption the one that has met the most general approval relates to the provision of a federal system of public employment offices. It is proposed to coördinate this national plan with state and local officers. This plan is looked on askance by certain groups and leaders of organized labor on the very proper ground of its possible perversion into an immigrant distribution agency. This danger can, however, be avoided if proper supervision is exercised over the administration of the agencies. Clearly they should not be used to break down wage standards through the arbitrary importation of competitive workers. They must be utilized to supplement a national policy for promoting the welfare of the American laborer as expressed in the recent establishment of a separate department of labor in the federal government. America is pretty generally convinced at all events that the time has come to supplant organization for confusion in the methods of bringing workers and work together. This conviction has spread so far that it has been crystallized in a phrase now commonplace, the linking of the "jobless man with the manless job." The next Congress will undoubtedly be called to give very earnest attention to the passage of a bill putting into effect plans for a national system of employment offices formulated by the Industrial Relations Commission or some other branch of the government.

Unquestionably we shall accept as the next step the results of European experience and establish unemployment insurance as a part of the general scheme of social insurance. We cannot assume that any regularization in the periods of employment and in the timing of public works will offset the forces which now operate to produce unemployment at certain periods in the year. Unemployment will continue in the building trades and other operations which are affected by climatic conditions. Unemployment will occur individually in every other line of occupation because of business reverses, the operation of competition now placed on a pedestal of beneficence, and other forces whose interplay make up the complexity of our industrial life. Against these conditions there are available only savings, charity, neighborly or family help, or insurance. My own conviction is that the principle of insurance will be applied to this casual but reasonably to be expected element in our national life as it has been to industrial injuries. There awaits merely sufficient public discussion, agitation and leadership to put

into effect in the American commonwealth a program similar to the Liberal program of the British government.

The other measures to which I have briefly referred must continue to play their part in the general betterment of employment conditions, but their effect will be slowly realized and, though cumulative, they cannot be counted on immediately to diminish employment disorganization.

America in common with every industrial nation must look upon employment, namely the resumption of business activity, as the chief means of preventing unemployment. The problem confronting business and statesmanship is first, the maintenance of industrial activity, second, the protection of workers against fluctuations in employment and, finally, the better organization of the available working forces. America must more consciously plan for the welfare of its workers, for after all, prosperity and national expansion are not genuine benefits unless they include a general betterment of employment conditions. The causes of industrial depression are inevitably involved in political policies and must inevitably be dealt with in political discussion, but underlying the general influence of governmental policies are these various factors of employment policies and conditions which must be dealt with primarily by intelligent employers, organized employees and finally by interested communities through their schools and other public agencies.

It is time for us in America to recognize that we are substantially an industrial nation, that prosperity is not perpetual, and, under our present industrial system there is always, even in times of prosperity, a considerable number of individuals who are cast out of employment or who are unable for one reason or another to find employment. For all workers, industrial education, vocational guidance and just employment policies must be provided and developed; for workers seeking work when work is available, employment exchanges; for workers periodically out of work, unemployment insurance; for workers cast out of work due to exceptional conditions in industry, a further remedy must be provided, namely, some form of relief. The best form of relief is temporary employment. New York's experience in 1915 indicates the desirability of providing emergency work of some productive character organized coöperatively or on the basis of relief from which the unemployed may derive means of support during prolonged periods of idleness.

This work must be of such a character that it will not tend to depress wages, demoralize the workers, or lead to any form of exploitation. This temporary employment may properly be provided by state, national and municipal governments and through private contributions. For certain classes of employees, those who represent the stable working forces of the community, this relief employment should be supported by employers of the community, collectively, on the theory that it is to their interest to maintain an efficient labor community, and that the tiding over of the unemployed during periods of prolonged idleness is a proper charge on industry to the extent that those unemployed are normally and regularly participants in the established industrial activities of the community.

I realize, however, that in all probability as a practical matter funds for this purpose must be provided either by governments or by voluntary subscription of the charitable public.

Insurance against unemployment must be a matter of authoritative governmental arrangement. Details of its administration will have to be carefully worked out to apply to American conditions.

It is of crucial importance that the nation should be prepared to deal with unemployment along some substantial lines before the next crisis appears. There is now wanting a common practice among neighboring cities in regard to such problems as vagrancy and homeless men. States and cities have no definite policy with regard to timing public works to assist in periods of distress and there is no systematic interchange of information between state departments of agriculture respecting farm work opportunities. An industrial nation, we are dealing with this industrial problem within state lines and hence are dealing with it ineffectively and without adequate comprehension.

My suggestion is that the situation is one which would warrant the President of the United States in calling together governors and mayors of the principal industrial states and cities and discussing with them a national program, first, of immediate, and second, of far-reaching action. This can be done without creating uneasiness in the minds of the business community regarding the business outlook. Unless some authoritative consideration is given to this question now, we shall pass through another period of floundering, vain effort and wrangling discussion.

To summarize, the principal points that I have attempted to make in this discussion are:

1. Unemployment is now generally regarded by the press, by economists, and by the leaders of public opinion who are conveniently classed as publicists, as an industrial and social problem and not as a phase of the poverty or charity problem.

2. Unemployment, though exaggerated in times of industrial depression, is known to be continuous with respect to large numbers of workers and recurrent with respect to so-called seasonal occupations.

3. Temporary expedients and makeshift remedies have conclusively shown themselves to be inadequate.

4. Statesmanship has not yet included unemployment among the objects of its concern, and state and national governments have for the most part failed to consider or to equip themselves to consider constructive measures in respect to preventing or remedying unemployment.

5. Industry as such, and labor as such, are now beginning to give thought to developing and putting into effect measures not only to mitigate unemployment but measurably to prevent its regular recurrence. But without aggressive leadership on the part of government, effective measures are not likely to be adopted.

6. Enough is known regarding the causes and nature of unemployment, and enough experience has been gained and experiments tried to furnish the basis for courageous, positive effort on the part of national and state governments.

7. Although effects of unemployment manifest themselves chiefly in cities, cities as such are not equipped with resources, influence, or contact to take leadership in the removal of causes and the provision of remedies. But city governments here and there are recognizing their relation to the industrial life of their communities, and are endeavoring to provide means for promoting industrial welfare, including the relief of unemployment and the better organization of the labor market through the establishment of employment bureaus. It is not to the credit of state and federal governments that the cities have to date furnished leadership which those better equipped and more authoritative governmental agencies have failed to supply.

8. No single plan or suggestion will be adequate to cure unem-

ployment. What can be done is to regularize work, to time public works to fit into industrial gaps, to deal separately with the unemployed and the unemployable, to formulate and put into effect a policy with regard to employment, education, social insurance and other measures that will put the nation on the offensive instead of keeping it continuously on the defensive in regard to this most dangerous of all its enemies, the worklessness of willing and able workers.

9. Unemployment is inextricably involved in the general industrial conditions of the country which are affected by war, radical changes in the economic policy of the country, disorganization of industry and the inevitable conflicts resulting from the development of an economic policy, just to workers as well as to employers and acceptable to the general public. But there is only delusion in the belief that all unemployment will disappear with the return of those conditions which we habitually sum up in the word prosperity, for these reasons:

a. In normal times the labor market is continuously being disorganized through the lack of a national policy with regard to immigration;

b. The workers of America are kept in ignorance of work opportunities at points distant from their places of abode due to the lack of an adequate system of intelligence regarding employment opportunities throughout their immediate localities and in more remote parts of the country;

c. The labor market is still regarded as an inexhaustible reservoir to be treated much as we have traditionally treated other great national resources. Isolated seasonal trades, lack of training in industrial and manual activities, lack of vocational guidance, and incomplete provision of public employment bureaus, are some of the continuing causes of unemployment which it is possible to remedy and which prosperity waves do not obliterate.

New York City, the states of New York, Massachusetts and Wisconsin, and here and there other states, have established a modern system of employment bureaus. In New York some employers are turning their attention to the continuing problems of unemployment with the coöperation of workers and social scientists.

In New York, through the Gary committee on unemployment appointed by the mayor, facts are being obtained to furnish a basis for intelligent thinking about a problem easily shrouded with false impressions and vague generalizations.

What is now needed is the entrance into the field of a vigorous

national agency to provide facts, suggestions and leadership, making available to all America the experience of the world, or any community or industrial enterprise in America, in combating this most iniquitous of all social evils, the economic ostracism we call unemployment.

## SOME RECENT SURVEYS OF UNEMPLOYMENT

BY ROYAL MEEKER,

United States Commissioner of Labor Statistics.

The fact is that in this country we have a very complete fund of ignorance on the question of unemployment. We have no, or practically no, authentic information as to what the normal amount of unemployment is in this country, even at the best of times. We know that it is immensely great, much greater than there is any excuse for. In foreign countries, the need of accurate information as to the quantity of unemployment is recognized; in this country this is not the case.

A fairly accurate survey was made to determine the extent of unemployment in New York during the winter of 1914-1915, but we haven't anything in previous years to compare with the figures obtained in that survey. We do not know what the unemployment situation was one year ago; we do not know what it was in 1908; we do not know what it was in 1900; we do not know what it was in 1894; we do not know anything accurately about the seasonal fluctuations in employment. We know that unemployment is great in this country, much greater than it should be. Further than that, we cannot go.

I may say that when I took charge of the Bureau of Labor Statistics, I very speedily discovered that so far as the Federal Bureau was concerned, no information existed as to the amount of unemployment or where unemployment existed. Now I conceive that it is the first job of the Federal Commissioner of Labor Statistics to know that very thing. I have been racking my brain trying to devise ways and means by which I can get some line upon the amount of unemployment from month to month in every important city and locality in the United States. As yet I am still racking. I was not able to give the authorities of New York City any information as to the number of the unemployed or the industries that were hardest hit by the depression of last winter, in the early days of the winter when such information would have been most valuable. The Mayor's committee on unemployment in New York made a very accurate estimate of the amount of unemployment in 1914

as compared with 1913, through the medium of sending out letters of inquiry to employers in the city. I must say that the figures obtained were staggering to me because they seemed to indicate that about 200,000 fewer people were employed in 1914 than in 1913 in the industries in New York City. This is a perfectly staggering amount of unemployment when we consider that 1913 was an abnormal year. That was the year when for the first time unemployment was invented in this country. Up to that time the people of the United States did not recognize that any such thing as unemployment existed. In 1913, for the first time, a meeting, devoted to the subject of unemployment, was held under the auspices of the American Association for Labor Legislation, the first meeting of its kind ever held in this country—the first recognition, even by scientific men, that unemployment does exist, at least at times in this country, and for that reason I say that unemployment was invented in 1913.

Now frankly I did not believe that 200,000 fewer people were employed in New York City in the week ending December 13, 1914, than for the corresponding week one year earlier. The Metropolitan Life Insurance Company took hold of the matter. They conducted an investigation, through their agents, of the holders of industrial life insurance policies in New York City. Their figures seemed, as they came in, to corroborate the figures obtained by the Mayor's committee on unemployment. This seemed to be rather convincing evidence, but it was not convincing enough. No one knows whether the Metropolitan Life Insurance Company, through their industrial policies, give a fair picture of the laboring population of the city of New York; nobody knows whether by taking the industrial policyholders of that city one would get a fair cross section of the city. Only one method of ascertaining unemployment remained untried, namely, the census method. It seemed advisable to employ this means to check up the results obtained by the Mayor's committee and the Metropolitan Life Insurance Company. A complete census of the city was practically impossible. The police were thought of for a while as a medium of making such a census of unemployment, but that scheme was speedily given up.

At first it seemed wholly impracticable for the Bureau of Labor Statistics to make a census of the unemployed in the city of New York, because of the large number of agents necessary to make a canvass sufficiently extensive to represent at all adequately the



working population of the city. A census of the unemployed by the method of sampling was made possible by the courtesy and coöperation of the Bureau of Immigration and the New York City officials who generously loaned some of their employees to the Bureau of Labor Statistics to make the study. I was thus enabled to relieve some of the unemployment. The Immigration Bureau was suffering from the effects of the European war. More than half of the inspectors at Ellis Island were unemployed, and the other half did not have enough to do. I gave them jobs taking the census of the unemployed. The Bureau of Immigration kindly turned over more than fifty of the employees stationed at Ellis Island to me, and I used them in making a census of the city of New York. We did not make a haphazard census; we used brains and the best experience available in mapping out the census. We selected one hundred and four representative city blocks; blocks representing, first of all, the sections inhabited by laboring people. We selected blocks with a view to representing fairly the different industrial elements and the different population elements in the city. In addition to the intensive study carried on by means of the employees of the Immigration Bureau, I used more than one hundred city employees of the tenement department, which the city of New York was kind enough to turn over to me. I set these men at work making a more extensive and intensive investigation. Two dwelling houses—whether tenement houses or private houses, it mattered not—were selected in each of more than 1,700 blocks throughout the whole of Greater New York where laboring people live. In that way we got returns from more than 3,700 houses. The returns from the block census showed a higher percentage of unemployment than was shown in the investigation of selected houses. When we got out into the more suburban and rural districts of New York, we found a smaller percentage of unemployment. We found in some of the crowded downtown blocks of Manhattan Island an appalling percentage of unemployment; in some blocks as high as 40 per cent of the wage-earners were totally unemployed. Farther up the Island we found a smaller percentage of unemployment. I think you will agree with me that it was a perfectly fair census and a perfectly representative cross section of the working classes of New York City.

The investigation proved that about 16.2 per cent of the wage-earning population was unemployed. Now nobody knows what

percentage of the wage-earning population was unemployed in 1913, in 1908, in 1903, in 1900, or in any other year that you may select. We cannot find this out. No one knows how many people were unemployed in 1908, but I suspect about as large a proportion of the working population was idle in that year as during the winter of 1914-15. We do not know—this is simply a supposition.

With our well-nigh inexhaustible resources there should certainly be in this country a lower percentage of unemployment than in any other country in the world. That this is not the case is because we have allowed the industrial development of our country to proceed in a haphazard, unintelligent manner. We have not yet recognized the fact that unemployment exists as a regular condition in carrying on many of our industries. It is absolutely inexcusable that, in this country, with practically untouched resources, where the population is relatively scant, we should have a larger percentage of unemployment, in all probability, than exists in Great Britain, Germany, or France, countries with a relatively redundant population, whose resources are either exhausted or on the way to exhaustion. In this country unemployment should be reduced to the irreducible minimum.

The Bureau of Labor Statistics has published elaborate statistics concerning rates of wages and hours of work, but it has published almost nothing regarding the amount of unemployment in the country. Information as to rates of wages and hours of work is very interesting and important, but the fact that bricklayers in New York City are being paid from five dollars to six dollars a day does not pay the grocery bills of those men who do not have employment as bricklayers. The most useful information for the Bureau of Labor Statistics to furnish is how many jobs there are in the United States, or in any particular locality of the United States; how many people there are available for these jobs. Information as to unemployment is of first importance—the rate of wages, the hours and conditions of employment are of next importance.

The Metropolitan Life Insurance Company found from the census of its industrial policyholders that about 18 per cent of the laboring population of New York City was out of work. The result of the study I made showed that there was 16.2 per cent unemployed, not a great discrepancy. This slight difference may be explained in two ways. First, our study was made about one month after the census of the Metropolitan Life Insurance Company. Things

at that time were on the upward trend, so it was to be expected that our study would show a smaller percentage of unemployment. Second, the population included in the Metropolitan's survey was a somewhat different population from that included in our census. Most of the Metropolitan's policyholders are in the middle class of the laboring population. The Company probably does not insure as large a proportion of highly skilled workers who receive extraordinarily high wages as of workers who receive moderate wages, and it does not include at all those below a certain wage level, those who have no surplus to invest even in industrial insurance. This might account in part for the slight difference of 1.8 points in unemployment. The figures corresponded so closely that I was willing to ask the Metropolitan Life Insurance Company to make investigations in other places. It has undertaken a census of unemployment in fifteen other cities of the country. If we can get reliable data as to unemployment in several cities, we can make comparisons in space, even if we cannot make comparisons in time. This should give us valuable information as to the distribution of unemployment by cities. The figures have been gathered and are being tabulated, and as soon as ready will be given out.<sup>1</sup> The complete figures will probably not be published until after July 1, the beginning of the next fiscal year, as no funds are available for printing more bulletins.

This is merely the beginning of a work that has never been undertaken before. The only way to handle it properly is for factory owners to cooperate with state departments and commissions of labor and municipal authorities in getting at the amount of unemployment. The problem of unemployment has never been seriously studied in this country. We must study it before we can hope to solve it. We Americans are too prone to solve problems before we really know what we are solving. We do not even have the problem stated in terms of unknown quantities before we begin working at the solution. We shall never come near to a solution of unemployment by this procedure. We must know, with some de-

<sup>1</sup> Since the above address was delivered the data below on unemployment in fifteen cities of the United States have been given to the press by the U. S. Bureau of Labor Statistics. A canvass was made during March and the first part of April, 1915, which followed the same lines as the Metropolitan's study of unemployment in New York City and vicinity. The families holding industrial policies in the Metropolitan Life Insurance Company were visited by agents of that Company, and the number of partly and wholly unemployed was ascertained. The information thus collected is to appear shortly as a bulletin of the Bureau of

gree of accuracy, how many people are unemployed in the United States and at what occupations they are unemployed, so to say. Otherwise, how are we to know what the demand is for, let us say, carpenters, and the available supply of unemployed carpenters to meet that demand? This kind of information is known to the labor exchanges of Great Britain and Germany, and that is one reason why, with all their handicaps, these countries have much less marked ups and downs in employment than we do. They handle unemployment with intelligence, while we still shut our eyes to facts and go blithely forward to relieve unemployment in each recurring crisis by handing out bread and soup, old clothes and free lodgings. The people must be brought to realize that work is the only sure cure for unemployment.

Labor Statistics. In the following table are given the leading facts thus far tabulated:

Cities	Number of families canvassed	Number of wage-earners in families	Unemployed		Part-time wage-earners	
			Number	Per cent	Number	Per cent
Boston . . . . .	46,649	77,419	7,863	10.2	13,426	17.3
Bridgeport . . . . .	8,144	12,533	537	4.3	2,493	19.9
Chicago . . . . .	96,579	157,616	20,952	13.3	16,575	10.5
Cleveland . . . . .	16,851	24,934	2,348	9.4	3,060	12.3
Duluth . . . . .	1,383	2,089	425	20.3	371	17.8
Kansas City . . . . .	14,890	22,512	2,815	12.5	1,979	8.8
Milwaukee . . . . .	8,813	13,112	1,030	7.9	3,788	28.9
Minneapolis . . . . .	2,206	3,449	476	13.8	183	5.3
Philadelphia . . . . .	79,058	137,244	14,147	10.3	26,907	19.6
Pittsburgh . . . . .	36,544	53,336	5,942	11.1	15,474	29.0
St. Louis . . . . .	65,979	104,499	14,219	13.6	14,317	13.7
Springfield, Mo. . . . .	1,584	2,284	162	7.1	32	1.4
St. Paul . . . . .	2,515	4,135	582	14.1	142	3.4
Toledo . . . . .	7,233	10,312	1,102	10.7	1,801	17.5
Wilkes-Barre . . . . .	11,453	18,884	1,200	6.4	6,104	32.3
Total . . . . .	399,881	644,358	73,800	11.5	106,652	16.6

This table relates to part-time workers as well as to the wholly unemployed,

The survey covered 15 cities and included a census of 399,881 families in which were found 644,358 wage-earners. Of this number, 73,800, or 11.5 per cent, of all wage-earners in the families visited were wholly unemployed, and in addition thereto 106,652, or 16.6 per cent, were reported as part-time workers. The highest percentage of unemployment was found in Duluth, Minnesota, where 20.3 per cent of the wage-earners were out of work and 17.8 per cent were working part-time only. The lowest percentage of unemployment was found in Bridgeport, Connecticut, where only 4.3 per cent were unemployed, but 19.9 per cent of all wage-workers were reported as working only part-time.

The cities showing the largest percentages of part-time workers were: Wilkes-Barre, 32.3 per cent; Pittsburgh, 29 per cent; Milwaukee, 28.9 per cent; Bridgeport, 19.9 per cent; Philadelphia, 19.6 per cent; Duluth, 17.8 per cent; Toledo, 17.5 per cent; and Boston, 17.3 per cent. The percentage for all 15 cities combined was 16.6 per cent.

## THE WAR AND IMMIGRATION

BY FRANK JULIAN WARNE, PH.D.,

Washington, D. C.

Those innumerable streams of population which have been flowing from the vast reservoirs of peoples in Europe and which have been draining to the United States during the past decade more than 1,000,000 immigrants annually, are today temporarily shut off by the great European war. Of the sources of the largest part of our recent immigration, all, including Italy, are now involved in the war.

Immigration from Europe in 1914 slightly exceeded 1,058,000. As much as four-fifths—more than 800,000—came from the three countries, Italy, Austria-Hungary and Russia. Naturally one conclusion is that comparatively little immigration now comes from the United Kingdom, Germany, France, all of which are involved in the war, and the Scandinavian countries. This corresponds with the facts. Since 1880 there has taken place a most remarkable transformation in the racial composition of our immigration stream by which western European nationalities of Teutonic and Celtic stock gave place to those from southeastern Europe of Slavonic, Lettic, Italic, Finnic and Chaldean descent—from the peoples of Germany, Ireland, England, Scotland, Wales, and the Scandinavian countries to those from Russia, Austria-Hungary, and Italy.

Of the total arrivals from among those groups giving to us the greater part of our immigration in 1914, Italians were the most numerous. Their proportion was more than one-third, their number exceeded 296,000. Hebrews came next with a porportion of 16 per cent—138,000. Polish immigrants were nearly fifteen out of every one hundred—a total of nearly 123,000. Russians and Magyars came to 5 per cent each—to about 45,000. These five groups account for more than four-fifths of our last yearly immigration from Europe. Croatians and Slovenians, Ruthenians, Slovaks, Roumanians, Lithuanians, Finns, and Bohemians and Moravians were numerically in the order given.

A characteristic feature of most of this immigration, and espe-

cially that from Austria-Hungary and Russia, is the fact that only a very small proportion is of the race politically dominant in the countries from which it comes. Virtually all our immigration from Russia, for instance,—as much as ninety-seven out of every one hundred—is non-Russian; it is Jewish, Polish, Lithuanian, German, Finnish and Lettish. The last census enumeration of our foreign born from Russia shows that more than one-half—nearly fifty-two out of every one hundred—have Yiddish and Hebrew for their mother tongue. More than one-fourth speak Polish. Lithuanian and German come next in order as the mother tongue of our foreign born from Russia. Those speaking Russian amount to 3 per cent only of all those here reporting Russia as their country of birth.

The correct interpretation of these facts flows naturally from their mere presentation. Economic distress accompanies governmental oppression, with its usual political, religious and social persecution based upon racial antipathies, especially where one race becomes entrenched in power over subject races. This explains and will continue as the explanation of much of our immigration. Racial animosities expressed through governmental acts are often cruel and insufferable and result in emigration wherever such escape is possible. This rule by a dominant and different race nearly always brings about harsh economic conditions to the subject races.

Somewhat the same situation as exists in Russia is found also in Austria-Hungary. In Austria where the German and in Hungary where the Magyar is politically dominant over the Slav and other races, intolerable economic conditions are the lot of the subject races. The Pole is oppressed as much by the Austrian as by the Russian and German; the Slovenian and Servian suffer also from the Austrian; the Slovak from the Magyar; the Jew is persecuted by all. Among our foreign born from Austria, at the taking of the last census, more than one-fourth reported Polish as their mother tongue, while others spoke Bohemian, German, Yiddish, and Slovenian. The Poles occupy a prominent place among those contributing to our foreign born, the number here now exceeding 938,000. The largest number—nearly one-half of the total—came from Russia, and the next largest from Austria.

In the states of the Balkan Peninsula and in both European and Asiatic Turkey somewhat similar conditions are responsible for emigration. In the Balkan States we only recently witnessed the

population rebelling against Turkish misrule. The immigration to the United States from Turkey in Europe includes principally Greeks, Bulgarians, Servians, Montenegrins, Hebrews, Turks and Armenians. The coming of the Armenians dates from the Kurdish atrocities, which were marked by horrible butcheries and massacres. Our immigration from Turkey in Asia is comprised most largely of Greeks, with a sprinkling of Turks and Hebrews.

All this being true it is not difficult to answer the question as to the effect of the present war upon future European immigration to the United States. Changes in sovereignty and in geographical boundaries will be followed by repressive and oppressive measures designed among other things to wipe out national memories, racial traditions, and even to prevent the use of mother tongues. Not to expect these things would be to assume a sudden and remarkable transformation in the fundamentals of race domination. Nor can we expect a discontinuance of those racial factors which have given us so much of our past immigration.

The effect then of the present war will be to continue immigration to our shores. I know there are those who believe that the effect of the war will be to diminish the immigration flood. But such an opinion is contrary to the facts of history, and when we try to raise the curtain separating the present from the future and to peer into that future, I submit that history is a much better guide than personal opinion.

Every European war during the past one hundred years has been followed by increased immigration to the United States. The struggles of the Napoleonic period were the first of these, and following their termination there swept onto our shores the first large volume of immigration. Next came the wars of the European revolutionary period when the oppressed populations, freed by the corporal-emperor from the age-long superstition of the divine right of kings, attempted to throw off the yoke of monarchy. Being mostly unsuccessful these also resulted in increased immigration to the United States. Among these were the Polish revolution against Russia, that of the Bohemians against Germany, the Hungarian revolution, the Belgian insurrection, the wars of Italy, and the revolutionary outbreaks in Germany. The great wars of Prussia in the sixties and seventies against the Danes, then the Austrians, and later the French, also increased our immigration.

When the present great war is at an end—when the populations of Europe are released from fighting and freed from the manacles of militarism—when they are at liberty to take up again their peaceful occupations—Europe will not be what it was before the war began. Economic maladjustment will have set in, burdensome taxes with which to meet the cost of the struggle will be levied by all the governments; capital will have been destroyed, even anticipated income will have been spent, and harsh economic conditions will ensue among the people. Economic distress will be inevitable. All this is no prophecy. It is merely the teaching of past wars.

But it is not so much the situation in Europe following this war as the conditions in the United States that must be regarded as the determining factor in considering the probabilities as to future immigration.

There are many disputed points about immigration but it cannot be disputed that present-day immigration moves and is governed by economic conditions in and the facilities for reaching the country to which the alien migrates more than by adverse conditions in his home country. Both the statistics of emigration of any particular country and those of immigration and emigration of the United States government prove this conclusively. Nearly every report upon emigration from Europe made by United States consuls substantiates this statement.

The extremely close relation which the development of ocean transportation has brought about between European countries and the United States has made the masses of Europe peculiarly sensitive to the economic and especially the industrial conditions in this country. It has in particular affected, and continues to affect even more strikingly than formerly, the volume of our immigration. At the present time immigration reflects, with the accuracy of a tide gauge, the rise and fall in our industrial prosperity. If one knew nothing at all about our panics and periods of business revival, he would be able to tell the years of their occurrence and the length of time their effects continued merely by studying closely the statistics of immigration. This is much more true today than in years past. It is to be expected that at the close of the war the great trans-Atlantic steamships, which have become mere ferry boats plying between the two sides of the Atlantic, in that the immigrant can



now reach the United States within at most ten days or two weeks, will resume their trade.

And when they do they will be confronted by one of the most remarkable industrial revivals this country has ever experienced. It would take too long and try your patience too much to attempt to introduce here the evidence on this point. All we have to do, however, to be convinced, is to remember that this is not the Millennium; that the United States has hardly begun the development of its material resources; that these are in such abundance as to give to us wealth beyond human comprehension; that there is a Tomorrow when the enormous amount of capital now being destroyed will be replaced; that this country even under the stress of European war conditions is accumulating a surplus of capital unprecedented in its history and that this capital, when released from the fetters of fear, will start industry and business on an era of development and expansion which will more than make up for the present period of retardation.

When this time comes—and it is just around the corner—accompanied by adverse economic conditions among the workers in European countries, the possibilities and opportunities the United States will have to offer to the unskilled worker will be much better than those that are to prevail in any of the countries from which we have been drawing the largest part of our immigration.

But, say some, you must take into consideration the fact that the large number of soldiers being killed in the war will result in decreasing the population there is to draw upon and this in itself will result in a diminished immigration. Whether a fact is important depends upon the other fact by which you measure it. When we are told that ten, fifteen, or twenty thousand men in the very prime of life have been killed in a bloody battle we shudder with horror and magnify the importance of the number. But considered only numerically all the thousands that have been and are still to be destroyed by the war are insignificant when compared with the fact that the great reservoirs of peoples from which we have been drawing most of our immigrants—such countries as Russia, Austria-Hungary, Italy, Greece, Roumania, Servia, Bulgaria, and Turkey—that these reservoirs have a combined population in excess of 291,000,000. This is about two and one-fourth times the entire population of England, Ireland, Scotland, Wales,

Germany, Norway, Sweden, Denmark, Holland, Belgium, and Switzerland—the western European sources of our earlier immigration. These vast reservoirs of peoples have so far barely been even tapped by the large immigration streams that in recent years have been flowing from some of them into the United States.

Russia, for instance, has an enormous annual increase in the number of its inhabitants. It is true the government has erected barriers against Slavic emigration. But the experience of that country is very likely to repeat that of other European countries which have attempted by governmental regulation to keep their people at home when stronger economic forces are at work among them drawing them to the United States. At present we receive comparatively few Slavs from Russia. As to our total Russian foreign born of 1,732,000 by far the greater part came during the ten years of the last census period. In view of the possibility that the sluices now retaining the vast multitude of Slavs within the empire are to be raised, we must be prepared to meet the pouring forth of a flood of emigrants the like of which the world has never seen and which will make our recent large immigration appear insignificant.

Again, Austria-Hungary has a population of about 47,000,000, some 5,000,000 more than England, Ireland, Scotland and Wales. Today it already holds third place among the countries of the world contributing to our foreign born population. And immigration from that country had only just begun before the war opened. Of the total of more than 3,000,000 arrivals from Austria-Hungary since 1860 more than 2,000,000 came during the ten years only preceding 1910. All indications point to a continuance of this large immigration from Austria-Hungary at the close of the war. Somewhat similar statements are true of Italian immigration to this country.

Conjecturing in *The American Commonwealth* as to the future of immigration Mr. James Bryce says:

It may, therefore, be expected that the natives of these parts of Europe, such as Russia, Poland, and South Italy, where wages are lowest and conditions least promising, will continue their movement to the United States until there is a nearer approach to an equilibrium between the general attractiveness of life for the poorer classes in the Old World and in the New.

European and Asiatic Turkey have a population of 24,000,000, Persia of nearly 8,000,000, Roumania of 6,000,000, Bulgaria of not quite 4,000,000, and Servia of about 3,000,000. These countries also show recent increases in their immigration to the United States. The foreign born here from Roumania, for instance, increased more than fourfold the last census period—from about 15,000 to nearly 66,000. Bulgaria, Servia, Montenegro, and Turkey not specified, had a combined population in this country in 1910 in excess of 26,000, whereas ten years before it was not of sufficient importance to be enumerated separately by the census. The immigration from Bulgaria, Servia, and Montenegro in a single year rose to more than 27,000. During the ten years preceding 1910 our foreign born from Turkey in Europe increased from less than 10,000 to nearly 29,000. Turkey in Asia gave us a foreign born population in 1910 of almost 60,000, whereas ten years before there was none enumerated by the census.

There is the possibility, yes, even the probability, that within the coming years these races, now comparatively strangers among our foreign born population, may become as numerous in the United States as have those from Russia, Austria-Hungary and Italy in the decade just closed.

Thus in southern and eastern Europe and western Asia great reservoirs of races and peoples were recently beginning to be tapped by the ocean steamship lines. No one can conceive for these racial groups any possible betterment in their economic condition growing out of the present war. If anything it will be worse, not better, and such as to increase their emigration.

In consequence immigration to the United States for the coming years promises to be in even greater volume than that of the past decade and more. The larger part of it—virtually all of it—will come from countries where the standard of living of the masses is very little if any above the mere cost of the coarsest subsistence. Unrestricted, this immigration will continue indefinitely until more of an equilibrium is established between the low economic rewards of toilers in those countries and the higher compensation to the workers in our own democratic society. This result can come about only through a slow and gradual process of economic adjustment. It will mean to our citizen-workers a low wage and a low standard

of living that are not in conformity with the proper development of a democratic society and republican institutions.

It means even more. It means that at this critical period it is imperative for us "as a people whose earlier hopes have been shocked by the hard blows of experience," to pause and take invoice "of the heterogeneous stocks of humanity that we have admitted to the management of our great political enterprise." Not only to pause and take invoice but also to examine carefully what it is that this immigration is doing to our democratic institutions. Do not the pitifully low wages paid in many of our industries and the physically injurious low standard of living of the workers in many of our industrial centers mean anything to you? Does not unemployment, such as was so shockingly in evidence in all our large cities the past winter, indicate to you that there is something wrong somewhere? Do not child-labor, the industrial labor of women, the congestion of population, long hours of work, the rising death-toll from preventable accidents and occupational diseases, the startling increase in poverty among our industrial classes, the discarding by our industries of men in their forties for the labor of the much younger immigrants—do not these raise up in your mind any relation to immigration? The fact is there is a relation, a very close relation, between these social horrors and immigration.

There is one possible event that alone will stop this threatening inundation. This is restrictive legislation by the Congress approved by the President of the United States. These representatives of the American people can control the effects of those economic forces that otherwise are to give to us this increasing immigration of the future. Is not the present a most opportune time for such action? Should not we as a people stop at least a moment in our mad rush after mere wealth and take the time and exercise the forethought necessary to put our house in order so far as it is being disordered by immigration?

With the tremendous interests at stake in the present great European war, with the upheaval in the social and economic life of the European populations, and with the interruption to ocean travel, immigration is now at its lowest ebb tide. During the ten months following the declaration of war—from July to May—373,000 immigrant aliens arrived in this country. Of this total, those coming in July and August alone, and who had started on their

way before the war began, amounted to as much as 33 per cent. These 373,000 immigrants comprise the smallest number arriving in any like period of which we have a record. They are 818,000 fewer than for the same months of the preceding year and 691,000 fewer than in 1913. They are 107,000 fewer than one-half their number would have been but for the war if measured by the average of the period for the past seven years. It is clear from these statistics that the temporary effect of the war has been to diminish the number of incoming aliens.

The war has also had an effect upon emigration, and this effect has been to give us an increase in the number of aliens. It has reduced the number of outgoing aliens to less than they would have been under ordinary circumstances; that is, it has had the effect of keeping in the United States many immigrants who otherwise would have returned to Europe. Every one of the ten months to May, with the single exception of August, shows less emigration than in the same months of the preceding year and, excepting July and August, less than in 1913. Since July the number of departing aliens has been about 345,000, which is 248,000 fewer than during the same period in 1908 and less than that of the same months in any of the last four years. It is about 152,000 less than the average for the same ten months for the past seven years. This explains in part the unusual seriousness of the unemployed problem which was so acute in our large eastern cities the past winter, many of the aliens who but for the war would have returned to their European homes being compelled to remain here.

Immigration has steadily declined since the outbreak of the war until in April it was not one-fourth what it was in April, 1914, the decrease being from more than 142,000 to about 32,000 monthly arrivals. Emigration also has decreased—from about 50,000 in April, 1914, to about 18,000 in April, 1915. For the months of August, November, December and January, emigration exceeded immigration by more than 34,000—that is, this many more departed than arrived.

We should take advantage of today's temporary cessation in immigration to erect proper means of defense against the probable inundation of tomorrow. And as a part of these measures of defense there should be created by federal legislation such governmental machinery as will, in coöperation with state and private

employment bureaus, give us in the future a more or less accurate measurement of the anticipated needs of American industries for this rough, unskilled immigrant labor at the standard or American rate of wages. The demand being thus ascertained the supply can be regulated to this measurement by legislative enactment through already existing administrative machinery. In this way the present haphazard system, which now invariably operates to produce an over-supply of this labor in all our industrial centers, can be coördinated and made to work for our common good instead of to our social injury. Already we have the nucleus around which this machinery can be built. This is the Division of Information of the Bureau of Immigration of the Department of Labor of the United States government. In addition to its reorganization along the lines indicated, it should be given supervision over all private employment agencies and so-called labor exchanges engaged in interstate commerce.

In the face of the facts should we not subordinate sympathy for the immigrant to that humanitarianism which holds that America's highest duty to mankind is to make the great experiment of an educated democracy the most triumphant success that can possibly be attained? Shall we permit sympathy for the immigrant to determine our decision as to the proper course we should take in our policy towards future immigration? By all means this great movement of peoples should be restricted by legislation within the narrow channel of the legitimate demand of our industries for unskilled labor. It should not be permitted any longer to rush in helter-skelter to flood our American industries with its cheap labor and our industrial centers with its low standard of living.

## UNEMPLOYMENT AND IMMIGRATION

BY FRANCES A. KELLOR,

Vice-Chairman, Committee for Immigrants in America, New York.

We knew in the winter of 1914 *before the war* that one out of every eight wage-earners in some of our cities had become unemployed; we know in 1915 that one out of every five wage-earners can become unemployed when a great international crisis disturbs our foreign markets. These are not paupers, vagrants and unemployables. They are men and women willing and able to work, idle through no fault of their own.

How much more do we need to know to do something more fundamental than start bread lines, temporary work shops, or asking full time men to work half time or to receive less pay? How much longer will we rely upon charitable societies and relief funds collected by personal appeals, fetes, dinners, balls and other entertainments to feed and clothe the unemployed? Is it not ironical that we depend so largely upon *entertainments* to keep people from freezing and starving to death? The proceeds of a circus are today paying the wages of helpless women in New York City, and this is typical of the country.

A national administration reluctant to face a situation which may turn out to have political significance answers the appeals of American citizens by throttling the bills providing relief, by ordering a census to interpret the suffering in terms of statistical tables, and by indirectly establishing federal employment bureaus, after the crisis was over.

The states have done little better. They, too, are in the grip of a reaction which sees political danger in recognizing the evil, and political success in doing nothing about it.

We should be chiefly concerned not with our meager accomplishments but with what we shall do next year. Even with a sudden increase in prosperity, unemployment is a continuing problem, and I venture to make some suggestions that we can think about putting into a real program of action before the relief demands absorb our energies again.

1. Separate politics and unemployment in action as well as in theory. Deal with unemployment as an industrial problem fearlessly, regardless of its effect upon political fortunes. Nationally we did not do this in either 1913 or 1914.

2. Organize the labor market by establishing government bureaus and regulating private agencies. This is only a small part of the work. Employers will use them only when convinced of their efficiency and impartiality. Their coöperation is vital. How vital, the Detroit Chamber of Commerce illustrated in its employment bureau conducted this winter. In the one month for which the complete record is available, it placed 17 per cent of its applicants when other bureaus were averaging less than 5 per cent, and it showed that the number *retained in jobs on the strength of its appeal* equalled the number of applicants for the month, over 15,000.

3. Apportion the field of effort—do not have the government doing the work of philanthropy, or philanthropy running the business of government, and do not have either of them take up the load belonging to industry. The charities know their task and have resources for dealing with the unemployable. Keep the worker in the job line and out of the bread line as long as it can be done.

4. Get industry to consider unemployment as a risk of business to be prevented or remedied at the earliest possible minute. Let each business man ascertain for himself what is the actual cost of changing employees, maintenance of reserve labor supply, constant employment of green men, irregularity of output, etc. Do you know what one investigator found who had enough curiosity to inquire?

A typical number of industries studied in 1912 showed 38,668 employees at the beginning and 46,796 at the end of the year, an increase of 8,128 people, but during the year 44,365 people were engaged indicating that 36,237 had dropped out of employment. Allowing 21 per cent for death, illness, withdrawals and fluctuations, or 13,022 and the 8,128 increase—the reserve supply numbered 22,225, or 59 per cent of the number employed at the beginning. By interviewing a number of industrial managers the investigator found that the cost of training a new employee averaged about \$35, involving an economic loss of \$774,139 in these changes.

It is time business and the government got together. Why not plan work together—business to lessen seasonal periods of employ-



ment, irregularity of employment, reduction in annual changes of men and in reserve supply; government to carry on its public works, road building, reclamation work, rivers and harbors improvements in dull seasons. Let the unemployed be heard—not in parades, not in I. W. W. speeches, not in riots, not in bread lines, not in hearings wherein the basis of selection of witnesses is unknown and politics play a part; but let them be heard in an honest, fearless statement of conditions, neither better nor worse than they are, and then let us courageously meet the conclusions with remedies.

Unemployment cannot be solved along one main line. There are subsidiary lines which will require consideration. I have time to consider but one of these—immigration.

Can we solve it by restricting immigration or do we need something less negative and more constructive? We know as yet practically nothing of the causes of unemployment in this country when they are not created by war, or seasonal occupations, or casual labor, which, great as they are, do not constitute the most serious elements in the unemployment problem today.

We have the beginnings of a national domestic immigration policy admirably begun by the Department of Labor at Washington. A series of federal employment exchanges has been established, utilizing machinery which, however, may be needed at any time for immigration, and Secretary Wilson has already announced the necessity for the regulation of private employment agencies that conduct an interstate business and has called a national conference to consider unemployment. There is the Bureau of Naturalization and the admirable work begun by Commissioner Claxton for the education of the alien to meet these requirements, thereby eliminating unemployment due to legal bars. There is the new Ellis Island and the development of educational work and information which Commissioner Howe has much at heart, which will better distribute the alien.

But the causes of unemployment go far afield and are difficult to eliminate. There remains to be done, the safeguarding of aliens' savings through private banks and steamship ticket agencies, by interstate regulations; of investment in land and in colonization projects, by the registry of all such lands in the Department of Agriculture and the investigation of colonization projects and a survey of distribution methods and analysis of their failure. There

remains the transference of labor discriminations from petty state laws and obscure ordinances to the immigration law dealing with admission and in accordance with our treaty obligations; there remains the establishment of a minimum standard of living conditions below which no employer should be willing to have his employees live; there is the padrone to be abolished; there remain to be established adequate educational facilities, and equality before the law in such matters as interpreter service and benefits under social insurance laws. These and many other aspects of the alien's life in America have a vital relation to his unemployment.

When we shall have established such a policy it is contended it will increase immigration. No man can produce the evidence which will prove or disprove this contention. It lies in the realm of opinion. Not so long ago the minimum wage was recommended by no less an authority than Paul Kellogg as a means of restriction. It is as reasonable to believe that the conservation of men will steady the supply and lessen the necessity for reserve and decrease the number of public charges as that it will displace American workmen who can find no other foothold. Some employers have found that the teaching of English lessens the percentage of accidents and not only saves damages, but eliminates the cost of breaking in new men. One reason our control of our immigration supply is so unintelligent is that we know so little of what goes on in our own country with reference to it.

This war should carry one lesson home. There are in this country thousands of immigrant colonies and communities where little or no English is spoken, where American ideals of justice, freedom of women, right of children to an education and a childhood, and democratic institutions are unknown. There are in this country thousands of foreign born aliens and some citizens whose first allegiance is not to America. There are other thousands of foreign language newspapers (several hundred of which were swung into public print the other day against exportation of ammunition) about whose preaching and teaching America knows little. It may be for or against America; we as a nation do not know—and the lesson is this:

We do know that we should be one nation and one people, we who dwell together in this land of peace and prosperity, and there is no greater concern of this country today than to develop a wise

policy of Americanization which shall mean both unity and harmony. It is the policy of "let the immigrant alone" which makes him willing to listen to the I. W. W. and makes him a menace in time of war and a blight in time of peace. It is both the privilege and the opportunity of the American and his government with all the odds now in his favor to realize the ideal of one nation and one people, and when we do, we shall solve a little thing like unemployment as easily as we have bridged distance by means of electricity and mastered production by means of machinery. The chief reason we have the problem today is because men whose gift it is to master space and nature's resources have not applied themselves to the task in the "do or die" spirit of American enterprise.

Where shall the responsibility for a program of scientific inquiry into the causes of unemployment and their remedy center? Not in the government with a 1916 campaign imminent; not in charitable organizations, which have work enough of their own to do with unemployables; not in any legislative association, for it is a mistake to approach this problem with the idea that it can be solved by laws; not by any new organization, which it will cost money to establish—may some wise Providence save us from another organization to deal with this subject.

Why not a special committee of the national Chamber of Commerce which commands funds and widespread organization with some labor men and women serving on it, to whose report organized business which holds the key to the situation will listen?

I have before me the record of how some hundreds of industries prevented unemployment in 1914. All industrial America could use this information to advantage and is eager for it. We shall have no solution until business takes up the task, and it is worthy of the best efforts of its leaders.

## SOME INDUSTRIAL LESSONS OF THE EUROPEAN WAR

BY JOHN PRICE JACKSON,

Commissioner of Labor and Industry, Harrisburg, Pa.

When the war broke out, this country felt keenly a resultant increase of stagnation in industry. One of the most serious results of this was the loss of employment by great numbers of workers, and the placing of enormous armies of others upon short hours. The commonwealth of Pennsylvania, through the Department of Labor and Industry, made a careful canvass, and found that during the fall and winter the loss to individuals and the commonwealth as a unit, through this lack of employment and short hours, was of such an extent as to demand immediate attention and action on the part of the state and city officials and employers.<sup>1</sup> It was found that the governmental and industrial organization of the state was so constituted that immediate measures of relief, which would be to any great extent effective, were largely impossible. Individual manufacturers, in a very large measure, endeavored to relieve the situation by manufacturing materials for stock, to making repairs to their plants, and distributing the available work to as large a number as possible through the medium of reduced hours to each worker. Persons in every walk of life, to some extent, assumed responsibility for procuring work in homes or places of business for as many persons as could be arranged for. A number of towns and cities took up the project of municipal improvements, etc., with the same object in view.

However, the effect of all these activities was not sufficient to prevent serious suffering to the individual worker and enormous loss to the people of the commonwealth. The people of the state, however, were sufficiently impressed by the unusual conditions to have their legislature pass laws at the present session giving the Department of Labor and Industry authority to work out plans for more effectively dealing with conditions of unemployment in the future. These laws properly refer, not only to unemployment

<sup>1</sup>*Report of Pennsylvania Commissioner of Labor and Industry, Part 1, 1913-1914.*

caused by unusual conditions of depression, but also to the very serious losses occurring through seasonal industries and through time lost by employees when changing positions. Even when times are good in this country, the ratio between the days in which an employee who wishes to work is actually employed to the total days of the year—or, in other words, the man-year-power factor—is rather surprisingly low. This represents, therefore, an enormous loss of productiveness, which is as much a waste for present and future generations as the waste of natural resources.

Apparently, there is an inflexibility in business and financial organization in the country similar to that which thwarted the most effective endeavors to improve the labor conditions and cause the wheels of industry to turn. It must be admitted, of course, that the unsatisfactory business and industrial conditions existing before the war began were in some measure responsible for the exceptionally difficult situation later. However, that in no way interferes with the discussion of this problem, but rather makes it more distinctive.

The same tendency existed in Germany to an even larger extent, through the stagnation of industry and business and lack of employment, by reason of the war. (The author was in that country during the early months of the conflict.) Under the military power, however, and the autocratic form of government, Germany handled these conditions as concrete problems, and adapted both her governmental and business machinery to meet the conditions in the most effective manner. In our own country these problems were looked upon, to a very large extent, as being of an immaterial character and impossible to touch. Germany's banks continued to do business without cessation; I cashed travelers' checks payable in London nearly every day during the six weeks I was in the country, and observed no difficulty whatsoever in doing business. Immediately upon the declaration of war, the government, in consultation with the banks, took such steps as would relieve the situation. Germany was equally effective on the project of employment and industry. The industrial leaders were called together into conferences to determine what action each one should continue to pursue, and what workmen he should employ; then [with the aid of similar conferences of bankers, the necessary funds were arranged for to enable him to proceed. Of course, the government was directly behind all of these movements, and did not hesitate

to diverge as far as was necessary from ordinary governmental activity to accomplish the desired purposes.

Not only did the German government call the manufacturers and bankers together, but also the labor leaders, the merchants, and all other classes who could join with it in effecting the most efficient solution of the enormous problem facing the nation. Such form of government is not conventional, but it has a flexibility necessary to handle unusual conditions as they arise. It seems that this illustration of what another government has been able to do might well impress upon the American people the need of not permitting the governmental joints to become ossified, but to endeavor at all times to make both business and governmental conditions so flexible that unforeseen conditions can be dealt with to advantage. The new banking system of the country seems to be a move in the proper direction. It seems also possible to arrange municipal, state and national appropriations for material projects and the organizations having to do with them in such a manner that public works can be quickly started when business conditions of the country demand. It seems possible to build up a tradition among our corporations and people that it is not only a duty, but eventually profitable, to make unusual efforts to keep their money working, their wheels turning, and their people employed when hard times appear. In general, the German illustration shows that we as a people should be able to work out many lines of procedure, through the various avenues at our disposal, for controlling unsatisfactory industrial and business conditions, at least to a certain extent, which heretofore have been left largely to take their own course, each individual, as he saw fit, tying his money in the stocking, and in other ways doing his little to promote his own and the general conditions of distress. It is, of course, not intended by this statement to assume for a moment that hard times will not come, or that we can have conditions where we will have a hundred per cent year-man-power factor. When a people is overly extravagant, or when it goes into reckless speculation, or commits other follies, it must, of course, suffer the consequences, as surely as does the man who overeats. But as the good doctor may relieve the pain or even save the life of the latter, so can we as a people, if we properly study our conditions, tend to relieve much of the distress and loss which has been allowed to appear unchecked in the past.

One of the distinct lessons of the war to Americans is with reference to our dependence upon other countries for many prepared materials, which we might make for ourselves to as good, or even better, advantage. One of the most striking and most advertised of these was our lack of dye-stuffs. The handicap to American industry through lack of many materials at this time was not due to the fact that Americans are short in brains. It was rather a lack of systematic study of American needs. Here again Germany offers an excellent illustration of the proper way to proceed. She had with great detail and care arranged so that scientists would not only be developed in her fine technical schools and universities, but that they would find it to their material advantage to investigate the needs of German industry and work out, by scientific experiment, processes necessary to their advancement. She had also taught her youths, through the medium of practical part-time or continuation schools, a quality of skill and intelligence of an exceptionally desirable character. In the United States much valuable experimental work has been carried on, particularly by corporations, for their private benefit, and by individuals. But the development of scientists for the purpose of supplying the needs of our industries has not been dealt with in a broad-minded, logical manner.

When the United States government created agricultural experiment stations, one in each state, it took a step of much importance in improving the efficiency and prosperity of our people through the great advance in agricultural knowledge. One great mistake, however, was made. Had Congress, when establishing these agricultural experiment stations, which have already done so much to enrich our land, added to their duties that of carrying on scientific, practical, and technical investigations for increasing the prosperity of all industries, instead of only one, this country would today stand in a far more desirable industrial position than is now the case. The government should not delay in making such additions to the scope of these magnificent experimental centers. They are at present, as a rule, well equipped, and manned by men who have learned the art of scientific investigation, and have developed organizations and methods of procedure suitable to the purposes intended. It would be very easy to add the necessary functions to these stations, or, if thought more desirable, to erect coördinate divisions therewith. It is not meant, of course, that a locomotive-

builder, for instance, should find out, for his own personal use, through the medium of such stations, the best material to use in a connecting-rod; but rather that the whole industry or country should be given information whereby the products of manufacture could be improved, and whereby economies could be obtained. The government has given this kind of help, not only to agriculture, but to mining, and though the latter work has been begun within a comparatively few years, material improvements have been accomplished thereby. If in both agriculture and mining this kind of systematic, nation-wide search for scientific knowledge has been productive of such valuable results, can there be any doubt of the advisability of its extension to the numerous other fields of industry, which are just as necessary and important to our prosperity and welfare?

It is probable that in the near future the purchase of materials by the countries at war may bring us a temporary prosperity. I say temporary, because prosperity founded upon passing conditions cannot be otherwise. Further, we cannot count upon continued prosperity through the opening up of vast new natural resources, for we have already reached the point where it is necessary to make the most careful calculations in our business and adopt methods of the utmost economy. The old profligate waste occasioned by our early munificence of natural advantages has largely passed away. It is necessary that both materials and labor be used more carefully in order that waste be eliminated, and that by-products be utilized. Particularly, however, we must cut out the greatest waste now existing in our industrial organization, namely, that of human labor. This must be done by the development of machines and processes which will produce economy in that field, and by handling labor in a way which will not uselessly waste itself through lack of opportunity for its application. Such a condition as this must not continue: Here is a man who wants to work, can work, and should work. He does not work today. Why? The manufacturer did not need the man today, so he doesn't lose anything. Such a sentiment may be satisfactory to the manufacturer in question; but nevertheless the people of the United States have lost a one-day-man-power. This man's day, when multiplied by a billion or so, represents a material item of wealth. Not only can more flexible methods of government and business tend to reduce this loss, but also a study of scientific and



natural problems as I have indicated. By the latter means not only can methods be produced whereby the man will be employed more regularly, but the loss of his labor will be required to obtain a given result.

The war has shown the weaknesses of the nation as a business unit of the world to a marked degree. Our lack of ships to carry our produce to other countries has been impressed upon all who take any interest in public affairs. This lack is undoubtedly due to our inability or unwillingness as a government to deal with new problems as they arise, irrespective of past practices and traditions. Here again we have hurt ourselves through the same inflexibility of our ways and practices as in the cases spoken of above. Our lack of organization for doing business economically and suitably with our neighbors is becoming equally apparent. Our consular and similar service in the various countries of the world has not been such as would be established by a successful business man who desired to obtain a maximum of profitable trade throughout the world. As a matter of fact, our industrial interests have also not gone into the project of tying up our business with that of other countries with the same thoroughness and to the same extent as have many of our individual manufacturers organized to deal with their clients at home. Here again Germany has surpassed us and has taken hold of the project of dealing with her neighbors as a good, practical, systematic business man should do. As a result, we who have neglected this field, and have depended upon the initiative of an individual or corporation to build up his foreign connections alone, have relatively suffered.

In fine, the war has taught us, among other lessons: (1) that the nation should have a more systematic and effective means of developing scientific, technical knowledge for our industries; (2) a better direction for the study and proper application of methods of preventing our present enormous labor waste; (3) the necessity for developing new methods of increasing the efficiency and economy of labor and materials; (4) the need for a more business-like national organization for doing business with our neighbor nations; (5) the necessity for creating transportation systems for carrying our own wares; and (6) the need of avoiding governmental ruts and ossification, in order that we may maintain our governmental, business, and industrial fabric sufficiently flexible to meet conditions effectively as they arise.

## AMERICAN EXPORT POLICIES

BY FRANKLIN JOHNSTON,

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American success in exporting, too often depreciated and ignored, has been won largely by manufacturers of highly specialized lines—individual, distinctive merchandise, or machinery sold under brands. I speak advisedly for daily I am in close touch with the export work of over six hundred manufacturers of such lines doing a substantial foreign business, many of whom have been doing so for years.

A recent census of these manufacturers, for whom and with whom we are working, showed that the average rating is \$298,000, as listed in one of the mercantile agency books. Of these 18 per cent are rated up to and over \$1,000,000 each; 50 per cent at less than \$100,000 and 20 per cent at less than \$35,000. This is of interest as showing that the small manufacturer of distinctive articles is under no insurmountable difficulties in export trade.

In South America, the three chief export competitors meet on more nearly equal terms than anywhere else in the world. There has been a greatly exaggerated idea in this country of the extent to which Germany dominated the markets of South America, before the war. That she had a very large and important share of that trade cannot be denied, but it was no larger than our own, and not as large as Great Britain's. The United States exports more merchandise to Latin America than does any other nation. Here in the briefest possible form is the record of Latin American trade in 1913:

Exports to Latin America from the United States, \$325,837,345.

Exports to Latin America from Great Britain and Ireland, \$322,228,073.

Exports to Latin America from Germany, \$217,967,202.

The margin over Great Britain is somewhat slight to be sure, but over Germany, of whose export prowess we hear so much more than of Great Britain's, it is in round figures \$100,000,000. Our exports to the Argentine have grown from less than \$10,000,000 in the year 1902 to over \$50,000,000 in 1913, while those to Brazil grew

from \$10,000,000 to \$42,000,000, and those to Uruguay from \$1,500,000 to \$7,500,000.

Instead of having a negligible share of the trade to those countries as many would have us believe, we supply Argentina with 15 per cent of all she buys, while Great Britain furnishes her with 30 per cent, and Germany supplies 16 per cent. Of Great Britain's exports to Argentina one-fifth is coal alone. In the case of Brazil we sell her 15 per cent of her total imports as against 25 per cent from England and 17 per cent from Germany, Germany's export trade with Brazil being \$4,000,000 larger than our own.

Our trade with these countries has grown hand in hand with that of Germany and Great Britain. If a chart is drawn showing the growth of the export trade of the three great rivals in either Argentina or Brazil for the past ten or fifteen years the general curve upward of the English lines will be paralleled, somewhat below to be sure, by the American and German, and the German and American lines will touch and even cross each other, at times, so close has been the rivalry.

Under normal conditions we have, therefore, as large an export trade with Argentina and Brazil as Germany, and that trade has grown just as fast, indeed at times faster, than that of either Germany or Great Britain. It must be said, however, that Germany's trade is more diverse than either Great Britain's or our own.

What, then, is the reason for the persistent popular impression that our trade with South America is negligible?

That impression is founded on the fallacy that American ships and foreign branches of American banks are a necessary *preliminary* to extending American trade. American manufacturers are under no handicap as regards shipping and banking in developing their trade with Latin America. When American manufacturers find themselves unable to sell abroad the fault usually lies not with the ships and banks but with the goods, the costs of production, or inefficient selling methods.

British export trade is won chiefly by quality; German, by cheapness; American, by inventive and mechanical genius plus large-scale production, which makes for moderate prices. Each of the three competitors has strong points, and each has weak points. British quality usually means high cost, and, when durability is aimed at, often means a solidity that is carried to an absurd degree.

The competing American article is lighter, more graceful and cheaper. The competing German article is too often an imitation of the British or American sold at a much cheaper price, and on terms which an Argentine gentleman spoke of some time ago as "insane credits." Price is the poorest sales argument, and people have almost forgotten that many German lines had far better claims to distinction. German export success has been marvelous but it has not been altogether a healthy growth. "Made in Germany" has come to convey the sense of cheap, shoddy goods, and even of imitations.

This has been recognized nowhere more than in Germany. In 1913, a "German Export Association of High Quality Manufacturers" was formed to combat the cheap price reputation of Germany abroad and its ideal at home. Its president said:

The systems of the English, French, but principally of the American and Swedish trade, have been based from the very start on the prestige and standing of the manufacturer, who must always take the responsibility for quality and reasonable prices of his products. Against the strong organizations of foreign manufacturers, small industries prevail in Germany which do not strive so much for quality as for cheap prices. . . . German manufacturers apparently know of only one argument, and that is low prices. But when prices decrease, quality also becomes inferior.

Another serious fault in German export methods has been an unwise over-extension of credits.

The "long" credits of South America have been greatly exaggerated in American discussions. So has the alleged refusal of American manufacturers and merchants to extend credits. As aptly phrased by the president of the United States Steel Corporation, Mr. James A. Farrell, who for many years was at the head of that corporation's export subsidiary:

Wherever there is a substantial basis for credit, American manufacturers will not be found lacking in devising means to grant reasonable and proper accommodations. It will be invariably found that where extended credits are given, the seller charges an increased price, and the buyer does not benefit to the extent to which prompt payment entitles him.

Not only does he pay an increased price, either visible or invisible (by decreased quality), but the whole structure of commerce in any given market is shaken when credits are given unwisely, for sooner or later such over-extension brings about a smash. This occurred in South America, notably in Argentina and Brazil, and

those countries which were just recovering from the effects of wholesale liquidation and bankruptcies, similar to some of our own financial depressions, when the war broke out. Commercial failures in the Argentine in 1913 were twice as large as in 1912, three times as large as 1911, four times as large as 1910. The opening months of 1914 showed a still greater commercial mortality, and the total liabilities for the year were more than double those of 1913. This financial disturbance came as a result of easy credits at a time when land speculation had become almost a mania, the bubble being pricked by a series of bad crops. American conservatism in granting credits has been justified in part at least by such events, and German eagerness to extend unwise credits has proved disastrous alike to her and her debtors.

To a large extent, the financial crisis before the war and the rapid changes brought about by the war have brought a new commercial generation in the Argentine. Old houses have liquidated, partners retired, old connections been severed, new ones formed, new houses opened. This new generation cannot buy German goods, nor even the allotted amount of British or French, and will necessarily buy American goods. Germany's unwise credits have fallen like a house of cards and in the reconstruction of the commercial structure she will have no part for some time to come. When Germany again competes for South American business it will be on a far healthier basis, with less talk of cheapness and more of quality, and with far more conservatism in extending credits. Meanwhile the virtues of slightly more expensive competing American goods will be established. This change in Germany's export policy was inevitable sooner or later but it has been hastened by the war, and the war has enormously intensified the lesson of over-extension.

Mention has been made of the application of the Sherman law to export trade. As we know, combinations to control output and fix prices in many staple lines sold on a close competitive margin of price, and not capable of being exploited along the lines that highly specialized lines are, are permitted and even encouraged in Europe. Such lines as manufactures for further use in manufacturing, and crude materials—steel, copper, wire nails, cement, cheap paper, cordage, etc.—might be mentioned. It would seem as though our manufacturers in such lines ought not to be forced to act under legal

restrictions to which their foreign competitors are not liable, provided unfair practices were not employed.

The Clayton Act as originally drawn would have made illegal nearly every customary method of developing export trade. These methods are not peculiar to this country, but are world-wide. Their morality is, it seems to me, not to be questioned. They comprise ordinary agreements under which patented articles may be sold, and both maker and dealer, or agent, protected. A vigorous nationwide protest from small manufacturers as well as large ones, resulted in export trade being specifically exempted from the provisions of the Clayton Act.

Recently the federal courts have found for the defendants in a number of actions brought by the government under the Sherman law. Among such decisions was that in the case of a number of steamship lines operating to Brazil. Freight is a commodity, no less than steel rails or copper. To allow steamship owners to combine to fix freight rates on steel products, and to forbid steel products manufacturers to combine to fix prices on their products is, on the face of it, absurd and unjust. Its absurdity is hardly diminished by the fact that most of the steamship lines are owned abroad, so that American manufacturers, "trusts" or "independents," are encouraged to practice cut-throat competition, while the steamship lines maintain profitable freights, and share the benefits with foreign buyers and foreign manufacturers who are allowed to take joint action as they see fit.

Disappointment has been expressed because small manufacturers show such a lack of interest in the arguments urging the benefits of combination for export trade. This may be attributed to the fact that small manufacturers of highly specialized lines, of articles sold under brands or trade marks, such as engines, machinery, typewriters, shoes, sewing machines, haberdashery, automobiles, bicycles and scores of other lines have never felt the need of such combinations for themselves, although they may be in favor of them in principle. In short, the small manufacturer may recognize the force of the arguments, but the subject has an academic interest chiefly. He has succeeded in export business by individual effort. The difficulties of forming a coöperative export organization in certain lines would be almost insurmountable, with no guarantee that the results would be satisfactory. A poorly managed combina-

tion would break down under its own weight, as many "trusts," department stores and chain-store organizations have, while their more efficient, though smaller, rivals have prospered. Hence, it may be doubted whether express governmental permission to combine for export trade would meet with any immediately marked response from small manufacturers of specialized lines. This is not to deny that the instinct of avoiding ruinous competition is not growing in strength.

Inadvertently, much of the discussion on this topic has given an entirely erroneous impression as to the difficulties "small" manufacturers have to contend with in establishing an export business. It will be found that ample facilities for export distribution are available for the manufacturer of specialized lines. For such lines, large initial expense to develop foreign trade is rarely necessary, or even advisable. Elaborate foreign selling organizations for the average manufacturer would not only be unnecessary, generally speaking, but positively detrimental, because the important distributing factors would be antagonized at the start, and would be in a well intrenched position to retaliate.

In England, Germany and the United States there are numerous facilities to help manufacturers in their export distribution, where the manufacturers are not in a position to do—as, of course, they very rarely are in a position to do—all the distributing. Large importers act as local distributors. The average manufacturer receives more or less of his export orders from the importers, not direct but through the export commission houses, although he works up the business direct by some form of solicitation.

Even when a manufacturer employs one or more foreign travelers many of the orders are passed through the hands of the export commission houses, and paid for by them, and in some cases manufacturers insist on all orders being so handled. Where export orders are paid for by the export commission merchant, for the account of foreign importers, it becomes as nearly cash business as the American manufacturer can secure at home or abroad. Although the tendency to do a direct business is constantly increasing—and in some markets, such as certain European ones, is the rule rather than the exception—very many importers, as well as manufacturers, prefer this method of business and probably always will.

The proportion of export business passed through these houses

as brokers, so to speak, depends on the character of goods, character and location of market and various other circumstances. No set rule can be made to apply. In London there are 1,596 export merchants; in Hamburg, 1,189, while in New York there are 605 export commission merchants, 180 buying offices for foreign merchants or industrial concerns and 128 manufacturers' export agents or managers. Export agents perform many of the functions of the commission houses, but are paid by the manufacturer instead of by the foreign merchant. In recent years there has been a marked tendency for the commission houses to take up special agencies. It will be seen, therefore, that in all three countries the export merchant is a distinct factor and that he is no less in evidence in England and Germany than here. Yet the very existence of the export commission houses is all but ignored by the American government officials in discussing foreign trade, and this has caused a good deal of misunderstanding.

The establishment of branch offices or warehouses abroad on the part of manufacturers is the exception, not the rule, in export trade. A theory that manufacturers must open branch houses in all the world's markets, in order to do business, would lead even the more than average sized manufacturer to bankruptcy. American export trade in manufactured goods is shared by thousands of manufacturers, big as well as little, little as well as big, and of those thousands it is doubtful whether more than twenty have their own local branches, carrying stocks, in Buenos Aires, for instance. With rare exceptions, the manufacturer, British, German and American, whatever his size, finds it more economical and more profitable to let others perform some of the functions necessary to get the goods from factory to foreign consumer. No manufacturing corporation, however large, has its own sales organization in all markets, although two or three come very close to it, including one American oil company and one American sewing machine company.

In Buenos Aires, for instance, there are just forty-four American business houses other than industrial plants. These forty-four comprise all the American dealers, the American importers and exporters, as well as the local branch offices of American manufacturers. There are one hundred and sixty-three British business houses in Buenos Aires and two hundred and ninety-nine German, and in view of the large number of merchant importers of those



nationalities domiciled in Buenos Aires, it is evident that few manufacturers of those countries can have branches in Buenos Aires, or the total number of business houses credited to them would be very much larger. This may be better appreciated when it is realized that there are 29,690 business houses in Buenos Aires exclusive of industrial or manufacturing plants, and of this number, which included the retail establishments, 12,383 are Italian, 7,822 Spanish and 4,358 Argentine. These figures are from a recent industrial census taken of Buenos Aires, as reported in *Commerce Reports* published by the Department of Commerce.

The number of American manufacturers having their own salaried exclusive representatives permanently in Buenos Aires carrying no stock, and selling to larger houses, wholesalers chiefly, is only a trifle larger than those having their own branches. It is impossible to fix the exact number, but a liberal estimate would be seventy-five. The number of British or German exclusive representatives may be estimated as proportionately the same. If Argentina has so few branch establishments and exclusive representatives, what must be the case in smaller markets such as Chile, Peru, the Amazon district of Brazil, or even Rio de Janeiro? There are not a dozen American, British or German manufacturers who maintain their own branches with stocks in all Brazil, and less in Chile or Peru. Moreover, while in certain trades one or two manufacturers have their own foreign branches, their competitors also do a large export business. For instance, one American typewriter company has its own retail branch in Buenos Aires. Other American typewriters are equally as well-known in the Argentine market, although their distribution is done by local dealers. A famous sewing machine company has its own retail branches not only in Buenos Aires, but, seemingly, in every town of even slight importance throughout Latin America. Yet, other American sewing machine companies do a large business in the same markets.

Coöperative foreign selling agencies in non-competing lines are by no means a new thing in export, although comparatively rare. Five large hardware manufacturers in Philadelphia have such an organization. Some twenty manufacturers of printers' supplies, paper, etc., have one. That particular line is one which seemingly offers an especially good field for such a plan. There can be, of course, no legal objections to such export combinations as that,

Nor can there be any economic objection, for in theory such organizations are sound. But in practice the difficulties of securing the right personnel, overcoming the opposition of local importers, and satisfying all the constituent manufacturers, some of whom are bound to feel that their share of the sales is less than their share of the expense, are so great as to make its general success not perhaps impossible, but certainly difficult.

On the other hand, there are numerous business houses all over the world which perform practically all the functions which such an organization could, at a minimum of cost and risk to the manufacturers. These houses are firmly established, and their experience, personnel, capital and intimate knowledge of local conditions, make them by far the best channel, in most cases, for local distribution of merchandise. The Clayton Act, as has been pointed out, exempts from its provisions, arrangements between manufacturers and agents or dealers as regards export trade, and that exemption was wisely made.

## COMMERCIAL ISOLATION VERSUS INTERNATIONAL TRADE

BY MORITZ J. BONN,

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The future trade of the United States and of the world at large will not depend so much on the changes between the different nations brought about by the war, as upon the principle of trade organization which will be adopted at its close.

For more than a century the world has discarded the principle of self-sufficiency which was the trade ideal of days gone by and moved deliberately to a state of international interdependency, though the danger of war was never absent from the minds of European nations. They and their foreign customers had become dependent on each other not only for luxuries but for the necessities of life. Germany, for example, is dependent on foreign supplies for about 8 per cent of her grain foodstuffs; she is dependent for the proper working of her estates on the yearly immigration of foreign laborers; foreign countries are dependent on her for dye-stuffs, sugar, and to a certain degree for credit. The degree and the nature of international dependency vary in different countries. It is probably the smallest in the United States and greatest in England. It has been the basic principle of modern trade development.

Will that principle be affected by the experience of the war? I am not discussing the changes of a temporary nature brought about by re-arrangements between the belligerents and the neutrals and between the neutrals themselves. I am alluding to the permanent change in the principle of international trade. It seems to me that such a change is unavoidable if certain conditions are not fulfilled.

I. International trade evolved an international clearing house of which London was the seat. Though England's share of the world's trade is only about 18 per cent, she is by far the biggest importer of bulky goods and the greatest carrier between nations. A very great share of international obligations was cleared in Lon-

don by means of drafts on London. There always was a demand for those drafts, based on the firm belief that drafts on London, and drafts on London alone, were as good as gold. That belief has been shattered. London drafts were not as good as gold. In fact, England opened the list of countries proclaiming a moratorium; postponing of payment did not come to an end before the beginning of December. This fact has not found due attention in the United States, since at the date of the proclamation of the moratorium they were heavily indebted to England. The rest of the world has realized it well enough. As far as international payments are concerned, English credit has broken down completely. It cannot resume its former place, for the belief that England is safe from war cannot any longer be maintained. It is doubtful whether any other market can take England's place, which depended on neutrality and security in European wars and on the absence of unwise home legislation. If New York could take London's place, well and good, if not, a permanent serious damage to the international trade machinery will have been done.

The amount of capital invested by the leading countries in foreign lands has been considerable. England's foreign investments were valued at about \$14,000,000,000, France's investments at \$6,000,000,000, German investments at \$5,000,000,000. The indebtedness of the United States is calculated at \$6,000,000,000. It has always been assumed that those international credits formed a great asset to the creditor nations in time of war, inasmuch as sales would facilitate borrowing for war purposes. The closing of the neutral stock exchanges has greatly hampered the disposal of those securities. They could, of course, be loaned and thus yield something, but they have not proved the mainstay of war finance they were expected to be. The center for those international securities was London. The probable decline in international security dealing would affect London most severely, even if no other forces were at work.

As London was the great center of international trade and international finance many securities were dealt in London exclusively. Many of them belonged to foreign countries. Many foreigners, among them many citizens of the belligerent countries, invested money by means of the London stock exchange and deposited the securities in London. Falling back on an old law, which

forbids trading with the enemy, the British government took over all property belonging to private citizens of belligerent countries. Though it may be possible to pay an enemy for goods bought from him, it is forbidden to let him have the dividends on his stocks, the share of his business, the control of his securities. British statistics show that property to the value of \$425,000,000 is kept from its rightful owners by the action of that government. German patents in England were confiscated. In fact, all income rightfully due to private citizens was withheld. Russia and France quickly followed suit and after a few months' interval the German and Austrian government had to retaliate. It is but right to assume that those business men who have gone through the experience of seeing their income withheld from them and who are deprived of the control of their capital will avoid future investments of any sort in England or France. It is very doubtful whether another credit market having the same facilities, but giving them real security, can be found. Capital will be far more nationalized than before. International credit relations will have received a severe blow.

II. Up to now international theory assumed that private property was practically free from seizure, provided it was not used directly for the support of armies. It was assumed on all sides that there might be some difficulty in getting raw materials and provisions for the civil population in ships of the belligerents. But it was always maintained that neutrals would be free:

A. To send non-contraband goods to any of the belligerents without serious molestation;

B. To trade with other neutrals even if there was some assumption of the goods ultimately reaching the enemy.

This belief has been shattered. Early in the war many neutral countries bordering on Germany were dependent on importation from abroad for all sorts of supplies. They were not allowed to get them without promising to lay an embargo on exports to Germany. Thus the transit trade was interfered with. Later on the importation of food destined for the civil population of Germany was prohibited, even if carried in neutral ships. This development showed plainly enough that dependency on foreign supplies might endanger a nation in time of war. Not only could the supply of armies be prevented—everybody had always reckoned with that possibility—but a policy of starvation might be directed against the civil

population including women and children. Neutral states depending on importation themselves had no power of protesting as their supply might be injured. The only country which, as the supplier of all sorts of goods, foodstuffs as well as armaments, is indispensable to the Allies whose fleet prevent trade, the United States, has chosen to tolerate that practice, though it disapproves of its principle.

This fact will dominate the future of international trade, for the *effective* protest of neutral powers has always been considered the one security in time of war on which trade could rely. That security has failed.

It is not very likely that the policy of starvation tried against Germany will succeed. It is sufficient that it has been tried. It might succeed at other times and against other countries in other circumstances. No nation has the right to run a risk twice, after having escaped by the skin of its teeth, as it is not likely that wars will never occur in the future.

Two policies and two possibilities only exist with regard to the future of foreign trade:

1. The easiest way of preventing danger of starvation will be a return to the policy of self-sufficiency. Such a policy is only possible to big countries like Germany. Even she would have to pay a big price for it. She might achieve it by confederation with neighboring countries; for example a customs-union with Austria-Hungary, and by relying more and more on international trade by land via the Balkans and Asia Minor than by over-sea trade, subject to the control of foreign powers. It would not make her entirely independent of foreign supplies, but by combining a policy of self-sufficiency with one of government storehouses for cotton, coffee, etc., she might be fairly secure. Her chemical industries might discover new supplies; for example, at present the import of nitrate from Chile is entirely supplanted by artificial nitrate made in Germany. It would be a costly process to her, but it could be achieved, though the trade interests of other countries, amongst them the United States, would suffer greatly. There is no doubt that countries like Chile or Argentine could not look to the American market for the diminished exports in raw material. Their purchasing power would suffer, and like most suffering countries they would be obliged to take up a policy of seclusion and artificial indus-

trialization. The smaller European countries could not follow such a policy. They might be compelled by their economic interests to enter into commercial unions with bigger neighbors as they scarcely could afford to stand alone.

2. A policy of self-sufficiency cannot be adopted by England. Even if we include Ireland (and England's connection with Ireland depends on the control of the sea) she could not hope to find food and work for her people within her confines; she will have to rely on over-sea supplies. She will have to take them more and more from her possessions. She will have to change her system of free trade, as her fiscal system will be unable to bear the strain of war finance, and she will have to try to compensate her dependencies for continued support. But her connection with the dominions depends on the same control of the sea, as does the over-sea trade of other nations.

Her policy has always been to insure her over-sea supply by the overwhelming strength of her navy. Her navy has been the means of cutting off the supplies of other nations and of guaranteeing her own supply. As long as she is able to maintain that attitude, international trade cannot be free and nations depending on international trade are depending on England. If England ever went to war with Russia, a contingency by no means impossible, she might stop non-contraband trade at San Francisco and Seattle. She might try to stop Germany's supply of copper from the United States, for fear of its transportation to Russia. And there is only one remedy against that, it seems: the possession of a navy big enough to protect one's trading rights, those of the neutrals as well as those of belligerents. The big countries will have to face the question of which will be the better policy for them: an expensive navy and increasing international dependency; or a system of storehouses, a smaller navy and self-sufficiency. If they choose the latter, the small countries will be at England's mercy. If they choose the first, the small countries may profit by the fleets of their big neighbors. It seems to me that the future prospects of international trade are very dark, whatever be chosen, if the world goes on tolerating the claims of a single state to regulate international commerce according to her own insular wants. There can be no free international trade without the free sea. And if there is no such commerce, the permanent growth of the trade of the United

States will be quite as unsafe as that of other countries. Protests, experience has shown that plainly enough, are of no avail, even when issued by a neutral who could easily retaliate. The future of international trade mostly depends on the question of whether there is a hope of inducing England to change her attitude. Such a hope exists as soon as England will realize that she cannot maintain the supremacy of the sea, which alone safeguards her against starvation at the present time. As long as that supremacy depended on expensive battleships, her freedom from military burdens gave her a great financial advantage. If it could be shown that the submarine, which is comparatively cheap, can stop trade as effectively as battleships, that advantage has gone. Moreover, experience has shown that England's superiority at sea is much smaller than was ever believed, even when she is allied to three powerful nations. That alliance will not be permanent.

Lastly, England is bound morally as well as by her interests to drive Germany from Belgium. It might be a cheap price for her to accept the principle of the free sea in theory and practice, which she alone of all nations objects to. It might be the only method of getting her way.

The support of the neutrals, whose interests she has greatly violated, might make such policy more acceptable to her. If the principle of the free sea is acknowledged and safe-guarded with efficient safe-guards, there will be a great and beneficent development of international trade. If not, the world—and America with the rest of the nations—will have to choose between commercial isolation or interdependence defended by costly armaments.



# THE RELATIONS OF CENTRAL AND SOUTH AMERICA WITH THE UNITED STATES AS AFFECTED BY THE EUROPEAN WAR

BY LUIS F. COREA,

Former Minister of Nicaragua to the United States.

The relations of Central and South America with the United States may be reduced, for the purpose of our discussion, into: political relations, commercial relations and intellectual relations.

## *Political Relations*

The political relations of the United States with the countries of Central and South America have undoubtedly been modified by reason of the European war. This appears from the expression of opinions formed by the people of Latin America, with relation to the civilized countries of Europe, now at war, which only yesterday were criticising the political turmoils of some of the countries of this hemisphere and clamoring in the name of civilization and humanity for the intervention of some of the stronger republics in the affairs of their weaker sisters. It suffices to say that the spirit of solidarity and good will among the Latin American nations is markedly stronger and a growing intimacy between these countries and the United States is now apparent.

Meanwhile, everything seems to tend to the formation of a more complete union for the defense of the common interest of the nations of this continent. We may say confidently that if tomorrow the United States were to be involved in a foreign conflict, the United States would not be alone for its Latin American sisters would, in my opinion, demonstrate that the territory of this continent cannot be attacked with impunity, and would manifest in no uncertain fashion *their* interpretation of the Monroe Doctrine, —“America, the continent, for the Americans of the continent.” Nevertheless, it must ever be borne in mind that in order to foster the growing confidence of the Latin American republics, it is necessary that this great nation should take no backward step, but

should increasingly put in practice the theories and principles so ably advocated by its leading statesmen.

### *Commercial Relations*

The commercial relations between the United States and the countries of Latin America have been affected both favorably and unfavorably by the European war. The German trade, which was one of the main sources of supply for Latin America and one of the best markets for the products of those countries, has been practically paralyzed. The manufacturing and financial powers of England and France have been considerably decreased. In view of these circumstances, the opportunity has been presented to the United States to supply to Central and South America, at least, part of the products which these markets imported from Europe before the war. The result will be that the Latin American consumers will accustom themselves to the products of the United States, and will finally adopt them for their needs in the future. So also, the products of Latin America will be imported in greater quantities than heretofore by the United States and reciprocal trade relations established, that cannot help but result to mutual advantage. To this extent, therefore, it may be said that the commercial relations have been favorably affected. But they have also been unfavorably influenced,—first, due to the fact that this country does not possess a merchant marine, and, since the foreign vessels which at present ply between this country and other parts of the American continent are so scarce, the freight rates have materially increased. Moreover, the American manufacturer, accustomed to sell his goods on a cash basis, or at short terms, finds it difficult or impossible under the unfavorable conditions now existing to grant the liberal terms of credit which the Latin American merchants have formerly received from European countries. And finally, the absence of adequate banking connections between the United States and the Latin American republics has resulted in difficulties which the recent efforts of an important United States banking institution have thus far been able only slightly to ameliorate.

For the purpose of overcoming the unfavorable conditions existing today, numerous remedies have been and are yet being offered by authorities on the subject. Therefore, I shall only refer

to a question which, although very important, I have not heard discussed so far, and that is the influence exerted in the commercial relations by the acts of the government in its intercourse with the countries of Latin America.

In this regard it may be said that the commercial and manufacturing organizations of this country, which attend with such scrupulous care to all things that might affect their interests, have not endeavored to discover to what extent the policy of the government of this nation with relation to the Latin American countries influences the development of the commercial intercourse between the United States and those countries. In fact, they have not thought, apparently, that a lofty and far-seeing policy such as that of Secretary Blaine, that a policy of cordiality and coöperation such as that of Secretary Hay, and that a policy of mutual understanding and political harmony such as that of Secretary Root, are the solid foundations on which the commercial relations with those countries must be based to be successful. Contrariwise, it would appear that they have not considered that the policy of "Dollar Diplomacy" or an attitude so vague and shifting as not to be recognized, as a policy of any kind, can only result in distrust and resentment among the people of the southern countries, and create conditions which can only be prejudicial to the formation and development of trade relations.

Therefore, I venture to propose that the chambers of commerce and the manufacturing associations, wishing to develop their trade with the markets of Central and South America, appoint committees composed of men well versed in the laws, and thoroughly familiar with the customs, tastes, tendencies and ideals of those countries, so that they may study the problems which frequently arise in connection with the foreign policies of successive administrations in this country and direct attention towards anything which might in any way affect unfavorably the trade intercourse and development between this nation and its sisters to the South. All the endeavors of these committees will tend to aid the government, and when their activities are published in due course, the people of Latin America will realize that this nation, that the people of the United States as a whole, and specifically the group of manufacturers or merchants with whom they deal, are not responsible for any reprehensible policy of a particular administration, but that the

responsibility lies with some unfaithful public servant incapable of understanding his duties, or with a political group which misrepresents the sentiments of the people of this great nation.

### *Intellectual Relations*

In regard to the intellectual relations we may say that these are seemingly the ones which have been affected the least. There is noticeable, notwithstanding, a strong tendency toward the development of such relations. The merchants and manufacturers of this country are studying with genuine enthusiasm everything concerning Central and South America, and, on the other hand, the men of these countries are showing greater interest and a more thorough appreciation of all things relating to the United States. This condition of affairs will certainly result in a more rapid and positive development of intellectual intercourse, which is an indispensable factor if we would have more profitable and lasting commercial and political relationship.

It has been thus understood by some learned Americans, real leaders of thought, who have been laboring for many years with tenacity, conveying to Latin America the manifestations of the wonderful progress of this country in literature, art, etc., and bringing in turn from there to be spread in due course in this land all their observations concerning the intellectual and material advancement of the Latin American republics and the richness of their natural resources. Among the most distinguished leaders who have undertaken this worthy task is our own Dr. Rowe, whose name we are proud to mention as well as those of Professors Shepherd, Bingham and Moses, who, like Dr. Rowe, have largely been instrumental in the initiation of intellectual intercourse between this country and the Latin American states. Results not less important have been accomplished in this direction by the continuous efforts and the propaganda carried on at all times by the most popular of the directors of the Pan American Union, Mr. Barrett. All these gentlemen may well feel satisfied with their labors which have been suitably recognized by universities and governments in Latin America. They may be truly called American citizens in the sense of being citizens of the whole American continent.

Here I cannot refrain from calling attention to Harvard University for taking the first step in the right direction with a view to

closer intellectual intercourse with Latin America, by inviting the well known diplomat and writer, Senor Oliveira Lima, to give lectures concerning the history and literature of those countries. Let us hope that other universities here will follow the example set by Harvard and that there may be other public spirited men willing and able to continue the work so admirably commenced by Messrs. Rowe, Shepherd, Bingham and Moses.

Summarizing them, we may say that up to the present moment, the European war has resulted in a very considerable advantage to the United States in its relations with Central and South America and that undoubtedly such advantage will continue on an ever increasing scale providing this country shall properly direct its energies:

1. In actually practicing the broad minded theories and noble principles which have from time to time been expounded by the representatives of this government in their discussion of Latin American affairs;
2. In the creation of a merchant marine;
3. In procuring an adequate increase of banking facilities and arranging for more liberal credits in commercial transactions;
4. In sending competent representatives for the detailed study of the people of those countries and their resources; and
5. In arranging, wherever it may be practical, for the interchange of professors in the universities and the study of at least the Spanish language in these universities and schools.

If the course indicated should be followed during the next ten or fifteen years, in no part of the world will there be witnessed a greater commercial development and a more intimate political, and intellectual relationship than will exist between the United States and the republics of Central and South America.

## WHAT CAN THE UNITED STATES AND LATIN AMERICA DO FOR EACH OTHER?

BY CHARLES M. MUCHNIC,

Vice President, American Locomotive Sales Corporation.

Trade between two or more countries can be successfully established and maintained only when such trade is based upon a more or less equal exchange of their products. Political consideration or sentiment alone never has and never will create to any appreciable extent trade between foreign countries.

The people of the United States have always shown a great deal of interest in the political development of the South and Central American Republics. The pronouncement of the Monroe Doctrine nearly a century ago is without doubt the most convincing proof of the bond of political solidarity that has existed and still exists between the republics in the North and South American continents.

It is true that the ABC powers and some of their neighbors have long since reached the stage of maturity when they can hold their own against European aggression, and many South American statesmen have resented in recent years any reference to the present recognition of the Monroe Doctrine, demanding its official withdrawal, and yet the events of the last year or two have demonstrated its potentiality for the prevention of foreign aggression upon Latin America with the same effectiveness that it has exercised from the date of its declaration.

If we had displayed the same interest and helpfulness towards the economic development of the countries south of us as in their political independence, the subject under discussion today would have been of a different character. Latin American trade has been a very popular subject of late; much has been written about it and it has been widely discussed, and I believe no other section of our foreign trade arouses to any greater extent the imagination and interest of our manufacturers and merchants than that with our southern republics. Sporadic efforts, in times of extreme industrial depression, such as we are enjoying at present, are made that usually

meet with disappointment and when good times come along the South American markets are forgotten. If we are to secure a permanent foothold in South America we must first thoroughly understand all the phases surrounding foreign and international commerce and then organize all the component forces essential for the successful inauguration and development of our trade with the countries south of us. The manufacturer alone, without the assistance of our bankers and investing institutions, cannot, in spite of Herculean efforts, make much headway in Latin America.

It is generally assumed that the South American markets are open markets. As a matter of fact they are not, and it is the first disillusion with which the pioneer meets on his South American trip. There are, to be sure, no tariffs discriminating against the American manufacturer as compared with his European rival, but he finds that the markets are entirely closed to him by arrangements and orders issued from London, Berlin and Paris over which the South American governments have no control. If the pioneer is a merchant and not a manufacturer, he finds that the large wholesale commission houses and distributors are in the hands of Europeans, with their banks always ready to discount their bills and to offer them every facility possible through the local branches of the home banking institutions.

In the matter of exchange and shipping facilities our pioneer finds that he is equally at a disadvantage as compared with the European rivals on account of the more equitable interchange of traffic of commodities, existing under normal conditions, between South American countries and Europe. We must grasp and understand the full significance of these facts if we are to occupy an equal position with the European countries in our trade with South America.

#### *Credits and Investments*

South American business has been built up and developed on the basis of long credits. These are extended to purchasers by local commission houses, usually of European origin, and for the accommodation of which the South American purchasers pay 10 per cent, 20 per cent and, in many instances, a much greater interest. The American manufacturer who would welcome an opportunity to do business direct with the South American purchaser can-

not grant unlimited credits, both as to time and amount; nor does he find it desirable, for obvious reasons, to deal through European commission houses; and he can turn to no bank of his own country that would be willing to discount his bills or advise him as to the credit of the purchaser. This handicap will, however, be partially remedied when the branches of the National City Bank, recently established in Rio and Buenos Aires, are fully organized and have acquired a thorough knowledge of the local business conditions. Some manufacturers, not a few, who have for years past extended large credits on open account to South American purchasers, have found it extremely vexatious and difficult to collect what was due them.

Last September the secretary of state called together for an informal conference South American diplomats for the discussion of the very same subject we have today under consideration. In his address he asked the diplomatic representatives from South America to state freely what in their opinion could be done to alleviate the commercial and financial disorganization between this country and South America brought about by the European war. Practically all of our South American friends who participated in the discussion referred to the fact that the greatest drawback for the extension of our trade with Latin America was, in their opinion, the unwillingness on the part of American manufacturers to extend credits customarily obtained from Europe and that we always insisted upon cash payments against shipping documents in New York or other ports of shipment. I was privileged to participate in this discussion and took occasion to state to those present that large credits have in recent years been granted by American manufacturers to South American purchasers but on account of the laxity of the latter in meeting their obligations at maturity greater caution was now being exercised in granting such accommodation. I desire to repeat what I said then, that the official representatives of the South American republics in the United States could render great assistance towards the future promotion of our trade with their countries by impressing forcibly upon their own governments and their peoples the desirability of meeting their debts on the dates promised. I am not referring to delays in meeting obligations due to the moratoria declared in many countries since the beginning of the war. I am referring to cases of my own experience and those



of my friends long before the war which were with individual merchants as well as with government purchasers. If the South American purchaser, whether government or private, would establish the reputation in the United States for promptly meeting his obligations, reasonably long credits would be granted to him freely.

The railways, mines, municipal and public utilities in South America are financed almost entirely by European capital and the bankers in furnishing the funds have invariably stipulated as a condition to the loans, and where it was not implicitly stated it was clearly understood, that the materials to be purchased by the proceeds of the loans as well as the nationality of the management, engineers, etc., should come from or be of the country which furnished the capital. As a result of this, fully 90 per cent of the railways in the Argentine comprising some 20,000 miles of railways are managed entirely by European engineers and all the railway materials and general supplies are purchased from Great Britain, Belgium, France and Germany, depending on the nationality of the management, and in which American manufacturers are not allowed to compete except in emergencies. In cases where the law stipulates that materials are to be purchased in open competition the specifications are drawn up in such a way by the European consulting engineers that American manufacturers are not in a position to compete on an equal basis with their European rivals.

In the few instances of state ownership of railways or public utilities which are not under the direct domination of European financial or industrial groups, American manufacturers are permitted to bid on apparently equal terms with European competitors but the specifications and standards adopted are necessarily similar to those adopted by the European engineers or similar private enterprises, thereby placing us in this instance also at a disadvantage with our European rivals.

There is closer coöperation between European bankers and the leading industries of Europe than there is in the United States and on account of this financial influence and coöperation, South American companies frequently pay more for materials purchased in the country which furnishes the capital than could be obtained in this country. We have no such coöperation in the United States and of the very few American companies interested in South American industrial development some have purchased materials

in Europe if they could obtain however slight an advantage either in price or terms of payment. For instance, an American copper company operating in Chile last year placed in Germany a contract for electrical equipment amounting to some \$3,000,000 because the German manufacturers underbid American manufacturers. You cannot find a single example of a German operating company in any foreign country or in a colony placing a contract in the United States for materials irrespective of the fact whether the American manufacturer bid lower than the German or not.

If we are to remedy this condition we must insist upon our bankers taking a more active part in the development of South American railways and similar enterprises and to have such railways operated by Americans who would be able to do for the American manufacturer what the British and German railway managers have done for British and German industry. The embargo placed by Great Britain on its capital going into South America will offer an opportunity to American bankers to supply the necessary funds for the development of the rich territory south of us. The opportunity is an excellent one and the question is, will the American banker take full advantage of it?

### *Representation in South America*

We must have better representation in South America than we have had in the past. We cannot rely upon commission houses whether of European or American origin to introduce effectively our manufactured products in the countries south of us. Our representatives must be specialists in their business, thoroughly conversant with the product they have to offer and familiar with the language and conditions of the country to which they are accredited. They must be salaried and not commission men. Such representation can only be developed at great cost and considerable time. Very few manufacturers are large enough to be capable of maintaining independently such representation and for this reason the National Foreign Trade Council, at its meeting in Washington last May, urged upon Congress to exempt combinations of American manufacturers for foreign trade from the jurisdiction of the Sherman Law and passed the following resolution, copies of which were sent to the President and Members of both Houses of Congress:

*Coöperation for the Development of Foreign Trade*

WHEREAS, Throughout the markets of the world combinations of our competitors are encouraged by their governments; and

WHEREAS, In consequence, American exporters are confronted by combinations of foreign rivals equipped to resist American competition and are often obliged to sell to combinations of foreign buyers; and

WHEREAS, Our anti-trust laws, though powerless to forbid foreign combinations against us, nevertheless, purport to regulate foreign commerce and apparently forbid American exporters to coöperate in the development of our foreign trade; now, therefore, be it

*Resolved*, by the National Foreign Trade Convention, a non-political, non-partisan gathering, representing in the aggregate millions of Americans, both employers and workmen, throughout the United States, whose welfare depends upon the successful competition of American exporters abroad,

That we urge Congress to take such action as will facilitate the development of American export trade by removing such disadvantages as may be now imposed by our anti-trust laws, to the end that American exporters, while selling the products of American workmen and American enterprise abroad, and in competition with other nations, in the markets of the world, may be free to utilize all the advantages of coöperative action in coping with combinations of foreign rivals, united to resist American competition, and combinations of foreign buyers equipped to depress the prices of American goods.

Since the European war has begun, examples have come to my personal attention of a ruthless competition between American manufacturers for European war contracts that were far more criminal in their character and manifestly unfair both to the stockholders of such companies and the laboring men engaged in the execution of such contracts than the most iniquitous combination of American manufacturers for export trade that could possibly be devised.

The government has recently sent commercial attachés to various parts of South America, who I am sure will be very helpful in acquainting both the government and manufacturers with the business conditions and needs of the countries south of us. But manufacturers desiring to extend their export trade should not count too much upon the government representatives blazing the way for new channels of trade.

*Shipping Facilities between North and South America*

The after-dinner speakers and political spellbinders of all parties have told us time and again that the non-existence of an American merchant marine for foreign trade is due to the fact that we have no subsidy for steamers engaged in foreign trade in one

form or another. They fortify themselves with the argument that just so much as our industries required protection for their development so an American merchant marine can only be built up and developed through a heavy subsidy. Almost in the same breath they tell us that up to the time of the Civil War 98 per cent of the entire foreign commerce of the United States was carried to every part of the world in American bottoms and in addition a great deal of the commerce of European and South American nations. It is not, therefore, a question of developing an infant industry through protection because the American merchant marine during the first half of the nineteenth century flourished, prospered and maintained its preëminent position without governmental assistance. There must, therefore, be other causes for the disappearance of the American flag from the high seas. Let us examine some of these causes.

It is my belief that the gradual replacement of American ships engaged in foreign commerce by British ships since the Civil War is due very largely to the introduction of the iron steamboat. The manufacture of iron in those days reached a comparatively high state of development in England while it was in its infancy in this country. It was, therefore, possible for British steamship owners to purchase ships in Great Britain made of iron of much larger capacity than the wooden ships built in the United States and which could, therefore, be operated much more economically and which gradually replaced the old American wooden clipper.

If the various administrations since that time had looked at the subject from a common sense business point of view they would have permitted the free importation of iron ships into the United States and to American registry irrespective as to where the steamer was built. Had this been done we would today have had a much larger American merchant marine engaged in foreign commerce.

Our navigation laws were devised, wisely or not, to suit our coastwise and internal traffic and were applied with equal force to the steamers engaged in foreign trade. The conditions imposed upon the American ship-owner are much more exacting and costly than those imposed on British or other European maritime countries. Under these laws the cost of American ships under the American flag engaged in foreign commerce, is variously estimated between 10 per cent and 50 per cent more than operating the same steamer

in the same service under any other flag than our own, and has resulted in driving the American flag from international trade routes.

Allusion is frequently made to the fact that we do not have as frequent sailings and as many steamship lines plying between the United States and South America as compared with South American and European countries, and we are told that this is due to the fact that European companies and their governments control the steamship lines and dictate to them as to the amount and character of cargo to be taken to and from the United States and South America and the routes to follow. I defy anyone to substantiate this argument by fact in normal times.

The reason why our sailings are not as frequent between the ports of South and North America is because of a lack, up to recently, of an equal interchange of cargo. No steamer can operate successfully between two given ports if the flow of traffic is only one way. The reason for the numerous routes and large number of steamers plying between South American and European ports is the fact that Europe takes the raw and semi-manufactured products of the South American countries and ships in return the manufactured products. There is in existence, therefore, an equitable interchange or balance of traffic.

We have until recently been in competition with the Argentine and Brazil in the exportation of the products of the soil and mines to Europe and, therefore, when an American manufacturer had to send his manufactured products to South America he had to pay not only the freight from here to its destination but also the cost of the return passage of the steamer practically in ballast. The enactment of the recent tariff law will to a large extent help us when normal conditions are again reinstated, in overcoming this serious drawback and result in the reduction of freight rates to South American countries. The removal of the duty on hides, wool, lumber, iron, meat and grain, will stimulate in the course of time their importation from South America into this country to such an extent that the American manufacturer will experience no difficulty in finding steamship accommodations at reasonable rates. There will be tonnage waiting in the principal ports of the United States to take his manufactured products to South America; it would be much more desirable that this increased traffic which is bound to

come be carried in ships flying the Stars and Stripes, but failing such, the merchandise will be carried by steamers of foreign flags.

The Republican party has always (if I am not mistaken) advocated a subsidy for an American merchant marine but never succeeded in carrying out this preëlection promise made by every successive administration. The Democratic party has always opposed a subsidy of whatever character and now out of a clear sky it comes forth with a proposition of government ownership of vessels which it admits would operate at a loss and which represents a ship subsidy in its most offensive form.

I need not tell you after what I have just stated that I do not believe in subsidies and certainly not in government owned steamship lines. What I would like to see would be an administration which would have the courage of its convictions, the daring and audacity to emancipate American shippers from the antiquated navigation laws which, more than any other factor, are responsible for the reduction of the American merchant marine engaged in foreign commerce to the present absurd proportion. The navigation laws, which have been in force for more than a century with amendment upon amendment tacked on to them to a point where they represent so intricate a document that it is impossible for the average person to comprehend it, should be replaced by a new set of navigation laws that would place the American ship-owner engaged in foreign trade on an equal basis with that of his European competitor. Our laws should permit bonafide purchases by American citizens or American controlled steamship companies of steamers wherever built and admit them to American registry. Not until such reforms have been enacted into law can a subsidy or government ownership help develop an American merchant marine so essential to the development of our commerce with South America.

Our general commerce with South America at the present time is languishing, not because of any lack of steamship facilities, but because of the economic setback all South American countries have received just prior to and since the beginning of the European war. I believe our prospects for the increase of trade with the countries south of us are very bright. At the close of the war the European countries will for some years to come be busily engaged in the rehabilitation of their own industries and the repairing of the

damage that has been done and unfortunately will still be done so long as this conflict lasts. It will devolve, therefore, upon the United States to supply the large demand for manufactured products which will come from all South American countries as soon as their economic conditions have been reestablished to a normal basis and their purchasing power has increased above what it is at the present time. Our opportunity, therefore, is at hand for the laying of firm foundations for the acquisition of a just share of the trade that will be within our reach at an early date.

## TRANSPORTATION FACILITIES NEEDED FOR LATIN AMERICAN TRADE

BY WELDING RING,  
New York.

Our trade with South America has been carried largely by England, Germany, France and Italy. This trade has been controlled so largely by the fact that Europe has done the financing, that it has been extremely difficult to divert any large portion of it to this country. Our merchants, accustomed to do business on a cash basis, have not felt inclined to meet the financial facilities offered particularly by England and Germany.

The war, however, must of necessity change these conditions very materially, for the expenditures of capital in carrying it on will involve large debts for all European countries and there will not be the same overflow of capital to invest in foreign ventures and business. They will have their own conditions to overcome after the war ceases and it will, at least for a considerable period, require all their resources to finance home enterprises.

When war was declared last August, statements were spread broadcast that this was the "golden opportunity" for the United States to acquire the bulk of trade with our southern friends. Coupled with this was the statement that all we were required to do would be to have the goods to furnish at fairly reasonable prices, and then give ample terms of credit, such as they had been accustomed to when purchasing from Europe. The goods we have in abundance, and of the best, and the facilities for shipping them; but to extend large credit for long periods has not yet appealed to our bankers and merchants. It will require a fairly long period of education, before such methods of financing will be acceptable to those doing business in this country with the southern people. It is a vital question that will have to be determined very largely by our bankers, who will decide whether they are inclined to supply large capital for various industries, and also extend credits to merchants, farmers and dealers who, having always had financial facil-



ities from Europe, cannot change their methods hastily and provide cash or short term credits.

Placing the matter of finance as the first fundamental necessary for southern trade, we would follow it with this second fundamental: our manufacturers and suppliers must furnish what is required and has been used heretofore for any trade with those countries. This condition, no doubt, the people of the United States are prepared to meet.

The third fundamental naturally would be transportation, which enters so largely into all foreign trade, and either assists or retards its development. A wrong impression has been spread throughout the United States, that we do not have sufficient communication with all the various countries throughout South America and Central America. To those in the shipping trade, it is hardly necessary to state that since the war commenced there has scarcely been a period when there was not ample tonnage loading for all the requirements of shippers. A complaint recently was received from Montevideo, that but few opportunities were offered for transport of our merchandise to that city, and the state of Uruguay. This complaint came from a reliable source, but on investigation carefully made it was learned that during the period complained of sixteen steamers were dispatched for South American ports, of which eight called at Montevideo. This would seem to be an ample tonnage to supply the regular requirements for that market. It was also learned that quite a number of these steamers went out with only part cargo even after unusual delays on the loading berth. There were a number of causes contributing to this falling off in shipments, the principal of which was the impossibility of securing further money or credits from Europe, and consequently southern merchants were unable to place their orders on such a basis with manufacturers and commission merchants in the United States that they would be willing to accept them. Other causes were a severe drought in the Argentine, causing a large falling off in their usual exports of grain and meat, and the very low prices ruling for coffee and rubber in Brazil. It was a combination of circumstances, probably never before felt and, it is to be hoped, never to be repeated. As a result, cessation of business to a very large degree took place, and trade has not yet resumed its full normal volume.

To the west coast of South America, there has been a corres-

ponding excess of tonnage, and some of the steamers regularly in the trade have had to be withdrawn and diverted to other business. This is owing largely to the decrease in orders coming forward for shipments from here, and the very greatly reduced volume of nitrates, which constitute the largest portion of exports from the west coast states.

In Central America, business has not been so seriously interrupted, and there has been constant communication with the various ports, and the usual volume of trade has remained almost normal. It is pleasing to know that, during the past two months, there has been a decided change for the better, very largely as a matter of sentiment and opinion, but also in the actual volume of business, so that orders and fairly large orders are coming forward with more frequency. To keep up with this trade, the different lines operating from the United States to southern ports are ready and willing to supply all the tonnage required. So far they have kept loading rather an excess beyond requirements. As to freight rates, while these have been advanced somewhat, yet in view of the very general advance throughout the world, there can be no cause for a fair complaint against the lines operating to the South. Contracts have been carried out with a good degree of regularity and, as a rule, lived up to even at large cost to those engaged in the trade. The outlook at present is encouraging, for a large increase in trade, particularly in staples and also in miscellaneous articles heretofore furnished by European countries and hereafter to be supplied by the United States.

In connection with freighting matters, it is very greatly to be regretted that while ample facilities are opening to shippers and on a fairly reasonable basis, yet nearly all of the tonnage engaged in this trade is under foreign flags, and the United States only carries a small percentage of it. The old idea that "Trade follows the flag" is obsolete and does not cover modern conditions. It is the goods and the price and the ability of the salesman that secure the orders. It is, however, humiliating to think that the United States, probably the most advanced country in the world in the manufacture and value of its articles, must depend upon foreign tonnage to carry its products throughout the world. When the change will come is extremely difficult to predict, but it is certain that but little progress will be made in building up a merchant marine under

the "Stars and Stripes" until we get more intelligent and broader legislation at Washington than has been served to us during recent years. Very many plans have been suggested, numerous bills have been introduced in Congress, and debates have been long and arduous, but without any, or at least very little, result and benefit. The nearest approach to anything beneficial was the act passed last August by Congress, which for a brief period permits the purchase of foreign built vessels and their transfer to the United States flag, and their operations also for a limited period, without many of the existing drawbacks of our navigation laws. Under this act, up to the present time, 137 steamers have been transferred from foreign to the United States flag. Unfortunately, just as Congress closed, it passed a bill generally known as the "Seamen's Bill," which contained numerous conditions that add to the already too heavily burdened American shipping. The effect of this bill was almost immediately felt. Since it was passed only three steamers have been purchased as against 134 steamers previously. It is not necessary to enter upon the various clauses of this bill that make it so unsatisfactory and burdensome to ship-owners, for they are generally known, particularly to those in the shipping trade. It has caused a hesitation, in fact almost a cessation of the desire to invest capital in tonnage for the foreign trade. For if capital is to be subjected to all the conditions of this bill, as well as to others of our navigation laws, the handicap of very greatly increased expenses, as compared with English and German shipping, will deter investments in American steamers. How this difficulty is to be overcome is a problem very difficult to solve, but it is certain to be one that must come to the front very largely in the immediate future.

If the building and owning of American steamships can be placed on a basis at all comparable with that of England, which is next highest in its cost of construction, then there can be no doubt about ample capital being supplied by American investors, and we shall again become a ship owning nation. The one great difficulty to overcome will be the question of labor, which enters so very largely, first into the constructions of a steamer, and said to be fully 80 per cent of its cost, and then in the operation of a steamer in competition with those of other nations. How this handicap of higher cost in construction and operation is to be overcome, is what will have to be determined by our business men and legislators.

In the development of a larger trade with South and Central America, we cannot in the near future count upon American tonnage being of very great service as there will be so little of it. But it is hoped that gradually the "Stars and Stripes" will be seen in all our southern ports, and that both freight and passenger steamers, or a combination of both, will do a fair share of the transportation that will be required in the future. The genius of the people of the United States has never yet failed when the necessity or exigency arises and there is every reason to believe that it will meet the question of buying or building steamers and operating them under the United States flag. Let us hope that these days are not in the distant future, and that we may advance as rapidly on the sea as we do upon the land.

## THE EFFECT OF IDLE PLANT ON COSTS AND PROFITS

BY H. L. GANTT,  
New York City.

The theory which has been so long and tenaciously held by cost accountants, that all the expenses of operating a factory must be included in the cost of the output produced, has the effect of showing low costs when the factory is running at its full or normal capacity, and of showing high costs when the output is small. The small output is due usually to diminution in demand, which can, as a rule, be stimulated only by reduction in selling price, which the selling department invariably recognizes.

Under this theory of cost-keeping, the selling department and the cost department are, during times of depression, continually at odds, with the result that the selling department is often prohibited from selling goods because the cost department states that there is no profit in such goods; and more than one manufacturing industry has suffered severely from this policy. The fallacy involved in this method of cost-keeping is so subtle that for a long time it was not recognized that there was a fallacy, although the hard common sense of many manufacturers realized that there was something wrong about their cost accounting methods and oftentimes ignored the results obtained by them.

During the last few years many leading manufacturers and accountants have recognized the existence of the fallacy, and some have actually pointed out what the fallacy is. The financier justly claims that if the plant is to be prosperous the output must be sold at a sufficient price to pay for the operation of the plant and to leave a reasonable profit. In order to do this the selling price when the product is small must naturally be greater per unit of product than if the product were larger, but in such times it is usually impossible to get a larger unit selling price.

A few years ago many financiers and industrial leaders thought they had solved the problem when they had adopted a fixed selling price, which they maintained during times of prosperity and times of depression. An illustration of this is the price of steel rails

fixed by the United States Steel Corporation, but the slow business recovery from the depression of 1907 and 1908 does not indicate that this policy has been entirely successful. When a plant is operating at less than its full capacity, it is quite evident that the expense of maintaining a certain portion of that plant in idleness must be borne somehow. The old theory that it must be borne as a part of the cost of the articles produced is rapidly giving way to the theory that it is a business expense and not chargeable to the articles produced.

Under this theory of expense distribution a plant which was running at only a small fraction of its capacity might make a good profit on the articles it produced and yet lose money, because of the necessity of deducting from the profits the expense of maintaining a large unused plant and the permanent organization needed to operate it. Another way of expressing the newer idea is that the output of a plant should be charged with only that expense needed to produce it, and that all other expense must be carried as a business expense and put in the profit and loss column. Under this theory it is readily seen that costs will remain constant whether the plant is operating as a whole or only in part unless there is a change in price of material, rate of wages, or method of manufacture; and the salesman will have a definite cost on which to base his selling price.

Idle plant is just as much a source of expense under the new theory as under the old, but under the new it is charged to the business, whereas under the old it is charged into the cost of the product. It is easily seen that a manufacturing concern which bases its policy on the newer theory will very soon get the better of those rivals, which adhere to the old method of cost accounting.

The above discussion leads directly to the consideration of another very important subject, namely, is it ever profitable to manufacture at a loss? This sounds like a flat contradiction, but it is really a subject of great importance. For instance, let us assume that it would cost us \$100,000 per year to maintain our plant in idleness but in condition to run, and to maintain the skeleton organization of officers needed to put the plant in operation again. Would it not be better for us to operate that plant during the year and maintain our whole organization, if the loss incurred thereby would not exceed \$100,000? If at the end of the year,

business should be offered two plants, one of which had followed the first policy, and the other had followed the second policy, the one which had followed the second policy would certainly be in far better position to take advantage of new business than the other, for it would not only be spared the expense of hiring and training a new set of operatives, which is always very great, but it would be in a position to execute the orders promptly. It is clear that, although each plant had actually lost the same amount of money during the year, the one that had its organization intact and ready to fill orders would be ahead of the other from a financial standpoint by the cost of hiring and training operatives, and from a business standpoint of being ready to fill orders promptly.

It would therefore seem that to shut a plant down, from whatever cause, is a very risky proceeding unless it is not intended to open up again. Mr. Carnegie recognized this fact and his action in accordance with it was one of the most potent factors in enabling him to get the better of his competitors.

At the meeting of the American Society of Mechanical Engineers at Buffalo on June 25, 1915, one of those who discussed my paper on "The Relation between Production and Cost" made the statement that it was the duty of an industry to take care, during times of depression, of those who had served that industry in times of prosperity. It is not my intention to emphasize the morality of this subject, but I believe it is possible to demonstrate that a proper industrial policy will show that it is to the advantage of a manufacturer to do as far as possible just what has been contended.

It is an economic principle that the consumption of articles increases rapidly with the reduction in cost to the consumer. If, therefore, during times of depression manufacturing companies will recognize that they cannot expect to make profits when nobody else is making profits, and are willing to accept their portion of the loss which is incident to the depression, by selling at a lower price, they can many times give their employees constant employment, and at the end of the period of depression find themselves in good condition to take advantage of returning prosperity and make up the losses incurred, while their more conservative competitors, who shut down their plants, are preparing to manufacture. Moreover, such a policy as this would, during times of depression, continue the production of wealth on a much larger scale than has heretofore been

customary, and even though the wealth thus produced would not accumulate in the hands of those who are accustomed to receive it, it would nevertheless be an asset to the country and make possible the more rapid return of prosperity.

The policy of holding up selling prices to a point at which few can afford to buy is, the writer believes, not only detrimental to the country at large but in the long run to the individual concerns doing it. It is a form of protection designed to offset or counteract the natural law of the survival of the fittest, and whether applied to individuals, industries or nations this law is inexorable, and any economic or financial policy founded on the theory that it can be done away with must ultimately fail.

The conclusion, therefore, from the above is that continued employment and hence the continued production of wealth is more important to the country at large, and hence to individuals in that country, than large profits which necessarily go to a comparatively small number.



## THE EFFECT OF UNEMPLOYMENT ON THE WAGE SCALE

BY MARY VAN KLEECK,

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The subject suggests a combination of the obvious and the unknown. In modern industry, the man out of work is also out of wages. The effect of unemployment on individual income is clear. But the mass effect of recurrent irregularities in the size of the force, the frequent hiring and firing of individual workers, lock-outs and strikes, seasonal fluctuations in demand for labor, weeks or even months when men and machines ready for work are given no work, is unknown and, at present, indeterminate. Unemployment is so characteristic of the present industrial order that a discussion of its effect on wage standards, involving, as it should, a consideration of what wages would be if work were regular, seems a task rather of prophecy than investigation or interpretation of known facts. Nevertheless, discussion may serve a useful end if no other purpose be accomplished than to suggest a fruitful field for exploration and discovery.

At the outset it is well to recognize that unemployment is not in itself a cause, but the resultant of many causes, an infinitely complex condition about which we cannot think clearly or act wisely without analysis and discrimination. Differences must be recognized in different localities, and in different industries. A discussion of the effect of unemployment is really a discussion of the diverse effects of each of the manifold causes of unemployment. The man on strike, and the man in the hospital, the Wall Street stenographers laid off when the war caused the closing of the Stock Exchange, the Fifth Avenue milliner who makes no hats in June because the spring season is over and no one knows what the autumn styles will be, the makers of skirt braids who have no work because skirts are short and the once universal bindings no longer worn, the employees of John Smith, manufacturer of jewelry boxes, who met with reverses and went into bankruptcy, the bookbinders formerly em-

ployed by the firm which has just moved into the country, the long-shoreman who hangs around the docks idly waiting for the ship to come in, and then is not hired because too many others are ahead of him, the Italian subway digger out of work because the trade unionists have demanded the enforcement of the provisions of the law regarding the employment of alien labor, the man on line at the door of the municipal lodging house, who lost his job because of drink, his fellow-guest who lost his because he was getting old, the man next to him who had steady work as a waiter until hard times came and the restaurant cut its force in half, the carpenters, the stone-masons, the tailors, the plumbers, the straw hat makers, the department store clerks, the cloak and suit makers and the coal miners, out of work at different times in the year when the slack season comes in their industries, these are all unemployed, but no one formula can describe them all, no one remedy can meet their needs, no single measure remove at once all the causes of their industrial misfortune. This much, at least, has been accomplished by recent experiences in dealing with unemployment in many cities. Familiarity is banishing, forever, the vague generalizations which make a problem seem so simple when in reality it is infinitely complex.

What light do recent experiences and investigations throw on the effects of the recurrent condition of unemployment on the wage scale? Is it true, as it is sometimes asserted, that wage rates tend to be higher in industries in which seasons are shorter? Do we have already a kind of unemployment insurance in the form of a larger income in short season industries, so that all that is required is the teaching of thrift to enable the worker to save a surplus for use when he is out of work? Is loss of income through unemployment a common experience or is it rather an incident in the individual career and not necessarily characteristic of industry? For the sake of clearness, let us consider first certain data about industries rather than the facts about the workers and their income.

In the United States Census of Manufactures in 1905, data regarding weekly earnings were gathered from a large number of representative establishments and presented for different industries by states.<sup>1</sup> At the same time information was secured showing the greatest and the least number of wage-earners employed at

<sup>1</sup> U. S. Census, Manufactures, 1905. Bulletin 93. *Earnings of Wage-Earners*.

any one time during the year. It is obvious, of course, that since so many factors enter into the determination of wages, caution is needed in attempting to detect the presence or absence of any one of them or to measure its influence. Local differences, varying proportions of men and women employed, the methods of production, the use of immigrant labor, and many other conditions must be studied before conclusions can be put forward with any definiteness. Nevertheless, if wages tend<sup>2</sup> to be higher in trades which have the greatest seasonal fluctuations, it would be fair to expect that the census figures just mentioned would reveal higher median wages in those industries in which the fluctuations from maximum to minimum in the number of wage-earners are greatest. The following table shows the facts for the eight industries employing an average of 20,000 or more wage-earners in which the seasonal fluctuations are the most marked and the eight in which the variations between minimum and maximum are least.

In all manufacturing industries combined, the maximum number were at work in October and the minimum in January, and the minimum force was 65.4 per cent of the maximum. The median wage was between \$10 and \$12 for men and between \$6 and \$7 for women. Of the eight industries having the least marked fluctuation from maximum to minimum force, four paid to men workers wages above the average for all industries, and four below it. Two paid women wages above the average and six below it. Of the eight industries having the greatest variations in the numbers employed, five paid men wages above the average and three below it, while in only three of these markedly seasonal industries were women's wages above the average, and in five below.

If wages are on the whole highest in the industries in which the fluctuations of employment are greatest, the fact is not reflected in the best statistical information available on the subject. On the

<sup>2</sup> "The natural tendency is for the fact of seasonal fluctuation to be recognized as a normal incident of the industry and to be allowed for in the standard both of expenditure and of wages." Beveridge, W. H., *Unemployment, a Problem of Industry*, 1912, p. 36.

"A trade that has a natural tendency toward irregularity of employment is generally found with higher rates of wages given to compensate for this irregularity and thus enable the worker to keep his standard of living up to that of workers of corresponding position and ability in trades not so affected." Dearle, N. B., *Problems of Unemployment in the London Building Trades*, 1908, pp. 133-4.

MAXIMUM AND MINIMUM NUMBER OF WAGE-EARNERS EMPLOYED AT ANY ONE TIME DURING CALENDAR YEAR 1904,<sup>1</sup> AND MEDIAN AND AVERAGE WEEKLY EARNINGS,<sup>2</sup> IN EIGHT INDUSTRIES SHOWING LEAST, AND EIGHT INDUSTRIES SHOWING GREATEST FLUCTUATION OF ALL MANUFACTURING INDUSTRIES EMPLOYING 20,000 OR MORE WAGE-EARNERS IN THE UNITED STATES, 1905.

Industry	Greatest No. of wage-earners	Least No. of wage-earners	Per cent minimum is of maximum	Median wage group		Average weekly earnings	
				Men	Women	Men	Women
Bread and bakery products.....	90,937	76,657	84.3	\$12-\$15	\$5-\$6	\$11.77	\$5.46
Cotton goods.....	351,415	285,302	81.2	7- 8	6- 7	7.71	6.03
Felt hats.....	24,345	19,602	80.9	12- 15	7- 8	13.27	7.31
Printing and publishing, newspapers and periodicals.....	111,480	89,785	80.5	12- 15	5- 6	13.13	5.95
Liquors, malt.....	54,787	43,481	79.4	15- 20	5- 6	14.37	5.50
Carpets and rugs other than rag....	36,472	28,875	79.2	9- 10	7- 8	9.93	7.31
Hosiery and knit goods.....	116,869	92,537	79.2	8- 9	6- 7	8.90	6.01
Hardware.....	35,612	27,743	77.9	9- 10	5- 6	10.37	5.35
All Industries.....	7,017,138	4,599,091	65.4	\$10-\$12	\$6-\$7	\$11.16	\$6.17
Cars, steam railroad, not including operations of railroad companies.....	55,167	15,843	28.7	\$10-\$12	\$7-\$8	\$11.21	\$7.24
Coppersmithing and sheet iron working.	30,808	15,609	41.2	9- 10	5- 6	12.96	5.78
Canning and preserving, fruits and vegetables.....	172,026	71,388	41.5	9- 10	4- 5	9.14	5.40
Marble and stone work.....	54,157	25,015	46.2	12- 15	4- 5	13.21	4.94
Agricultural implements.....	62,979	29,513	46.9	10- 12	5- 6	10.97	5.75
Millinery and lace goods.....	37,280	17,573	47.1	10- 12	6- 7	12.45	7.25
Brick and tile.....	115,090	56,940	49.5	9- 10	5- 6	9.82	5.55
Women's clothing ...	148,503	78,362	52.8	12- 15	6- 7	13.52	6.85

<sup>1</sup> United States Census, Manufactures, 1905, Part I, pp. 27-54.

<sup>2</sup> United States Census, Manufactures, 1905. Bulletin 93. *Earnings of Wage-Earners*. pp. 98 et ff.

contrary the census statistics seem to indicate that there is no consistent or significant difference in wages between the industries in which unemployment is least and those in which it is most prevalent.

Certain industries afford interesting contrasts. The census points out that watch-making is one of the industries paying the highest average weekly wages to both men and women. It shows decidedly less than the average fluctuation in force. The making of tobacco for chewing and smoking was rated as one of those reporting the lowest earnings. It shows greater fluctuations than the better paid branch of the tobacco industry. Canning and preserving is quoted in the census as an example of violent seasonal changes in demand for labor. Its showing in the wage columns is not enviable. The makers of women's clothing are more liable to unemployment than the makers of men's clothing and are also compensated at a slightly higher rate, apparently in conformity with the orthodox opinion, but it is not by any means clear that the comparative degree of unemployment has been a factor in determining the difference in wage rates. Millinery pays women more but men less than the slightly less seasonal trade of women's clothing. Paper box making pays men less and women more than the less fluctuating industry of confectionery.

If the risk of seasonal fluctuations is a factor in the wage bargain, it is certainly not sufficiently potent to counteract other tendencies which produce variations in standards in different industries. From the point of view of the workers, therefore, the degree of the influence exerted by the risk of unemployment on the comparative standards of wages becomes a matter of academic interest, since comparisons between industries reveal no invariable economic law of comparative compensation. Of course, this does not mean that no seasonal industry has a high enough wage standard to mitigate or even to eliminate distress in slack season. The straw hat worker in New York may have but six months' work in the year, but her earnings not infrequently amount to \$25 a week, and the problem for her is one of distribution of an irregular income over regularly recurring expenses, rather than one of making income equal outgo when the receipts in busy season are no more than sufficient for each week's expenditures. Distress is produced by the combination of unemployment and low wage rates, and this does not seem to be a combination to which economic laws are opposing effective obstacles. Indeed, the reverse seems to be true since the causes which are commonly accepted as most important in producing unemployment, industrial crises, irregular demand for

goods and oversupply of workers are the very causes which place the worker at a disadvantage in the wage bargain. More searching inquiry may bring evidence of a compensating tendency in industry, which may well be utilized and organized to produce unemployment insurance, but that at present it is not powerful enough to prevent distress is self-evident.

In discussing the effect of unemployment on the wage scale within an industry, we are on more certain ground because of the results of some recent investigations, all of which reveal the fact that the industries studied fall short of utilizing continuously the labor force which they buy at the height of the season. Their total wage scale is depressed far below its own capacity by the drag of irregular employment.

In the dress and waist industry in New York City, for example, after an exceptionally careful inquiry,<sup>3</sup> based on a payroll study, this conclusion was reached: "Taking the wages paid out in the industry during the busiest week of the year, and expressing this as 100, the investigation has shown that the average weekly wage earned by all the workers during 1912 was equal to 73 per cent of that of the busiest week of the year." This statement applies to total wages, which represent, of course, the most accurate measure of the total labor force. Considering the cloak, suit and skirt industry, the Bureau of Labor Statistics reports<sup>4</sup> that the seventy-five association shops investigated had a combined average weekly payroll of \$94,375 with a maximum of \$155,148 and a minimum of \$40,741. That is to say, the average weekly payroll was equal to only 61 per cent of the total paid out for wages in the busiest week of the year. The Factory Investigating Commission of New York State<sup>5</sup> found that the average payroll in the millinery trade in New York City was but 63 per cent of the maximum in wholesale shops, 71 per cent in the smaller retail shops, and 79 per cent in the larger retail shops having also a wholesale trade. In an unpublished manuscript of the Committee on Women's Work of the Russell

<sup>3</sup> U. S. Bureau of Labor Statistics, *Wages and Regularity of Employment and Standardization of Piece Rates in the Dress and Waist Industry*, 1914, Bulletin No. 146, pp. 18-19.

<sup>4</sup> U. S. Bureau of Labor Statistics, *Wages and Regularity of Employment in the Cloak, Suit and Skirt Industry*, 1915, p. 17.

<sup>5</sup> New York State Factory Investigating Commission. Proof of forthcoming fourth report. Appendix: *Wages in the Millinery Trade*, p. 80,

Sage Foundation outlining the results of a study of the millinery industry of which the inquiry into wages made for the Factory Investigating Commission is a part, the waste in labor force through irregular employment in millinery is estimated in another way. The total wages paid by the shops investigated in their maximum week was ascertained to be \$24,000, so that the total wages which would have been paid in a year of fifty-two maximum weeks would amount to more than a million and a quarter. The wages actually paid amounted to a little less than three-quarters of a million, or 57 per cent of the total estimated on the assumption that the maximum demand was continuous. In other words, the trade lost 43 per cent of the labor force which it would have utilized had it been able to hold throughout the year the level attained in its busiest week. Similar statistics are available regarding other industries described in the report of the Factory Investigating Commission just mentioned. Nor is it only private enterprises which are characterized by fluctuations in labor force. In Portland, Oregon, the number of laborers employed on street construction work by contractors for the city varied in twelve months from 885 on the last day of August, 1913, to 122 in March, 1914, with an average of 569, of which the minimum force was only 21 per cent.<sup>6</sup> On sewer work for the city the men employed by contractors in seven months numbered 125 in January and 190 in June, with an average of 159, of which the minimum was 79 per cent. Data on wages paid were not reported.

Even these data, however, do not give the full measure of stability or instability in employment since they take no account of changes in personnel. On this point, also, recent investigations are eloquent, especially those made in New York State by the Factory Investigating Commission.<sup>7</sup> In the millinery shops investigated, the maximum force employed was 2,550 but the number recorded on the payrolls during the year was 3,983. Concerning department stores, the Commission reported: "In eleven large New York City stores, with an average total force of 27,264, there were added during the course of a year 44,308 persons and 41,859 left or were dropped. In other words, more than once and a half as many

<sup>6</sup> O'Hara, Frank. *Unemployment in Oregon, a Report to the Oregon Committee on Seasonal Unemployment*, 1914, p. 19.

<sup>7</sup> New York State Factory Investigating Commission. Proof of forthcoming fourth report.

people flowed through the stores as are usually employed in them at one time."<sup>8</sup> In nine paper box factories ordinarily employing about 792 hands, 2,295 persons were on the payrolls in a year.<sup>9</sup> Although these figures do not relate directly to wages, it is obvious that such instability has its effect upon earnings. As the Factory Investigating Commission pointed out,<sup>10</sup> "This shifting about naturally causes loss of time and wages between jobs." It seems probable that it causes also some loss of productivity through the waste involved in the adjustment of a new worker to the conditions of the shop.

Violent fluctuations in the labor force and the still more marked changes in personnel, implying as they do, short terms of employment and frequent hunts for new jobs, must obviously result in decreased income for the workers. It is these inroads upon income which give a profound social significance to the facts which we have hitherto discussed as phases of industry rather than as individual misfortunes. Enough has been said, perhaps, to show that to avoid individual misfortune when the risk of unemployment is so characteristic a phase of industry requires something more than individual efficiency, thrift or character. We have been accustomed, perhaps, to observe first the unemployed when their distress forces them upon public attention, and then to think about the industrial causes. If we reverse the process and observe first the tendencies in industry, we may, perhaps, think more clearly about the unemployed. That loss of time, and consequent loss of income, is a common experience, has already been demonstrated in many careful investigations.

Consider, for example, the iron and steel industry in 1910, as it was described in the report of the United States government.<sup>11</sup> Of 90,757 employees in all the steel plants covered in the investigation, only 37.6 per cent were employed forty-eight weeks and over in the course of the year, while 12.5 per cent were on the payrolls less than thirty-six weeks.<sup>12</sup> In the same report figures<sup>13</sup> are given to show the possible full time annual earnings for steel workers, if

<sup>8</sup> *Ibid.*, p. 140.

<sup>9</sup> *Ibid.*, p. 251.

<sup>10</sup> *Ibid.*, p. 143.

<sup>11</sup> *Report on Conditions of Employment in the Iron and Steel Industry in the United States*. Senate Document No. 110, Washington, 1913.

<sup>12</sup> *Ibid.*, Vol. III, p. 213.

<sup>13</sup> *Ibid.*, Vol. III, p. 220.



they had been employed during the entire time their plants were in operation in 1910. These figures show an average of approximately \$700 for full time work throughout the year. The maximum annual earnings of 63.4 per cent of the 86,590 workers reporting, however, were less than this amount.

In another report by the United States Government, containing the results of the investigation of the condition of woman and child wage-earners,<sup>14</sup> detailed information is given about the number of days worked in the year by women and girls in the four industries of cotton, silk, glass and men's ready-made clothing. Moreover, in the discussion of living conditions, similar data are given for other wage-earners in these households. The average number of days worked in the year by women in the clothing trade was 241,<sup>15</sup> in cotton manufacture in New England mills, 254, and in the South, 244,<sup>16</sup> in glass-making, 231,<sup>17</sup> in silk mills in New Jersey, 262, and in Pennsylvania, 238.<sup>18</sup> The proportion of working days in the year among women in these four large industries varied then from 76 per cent to 83 per cent of the working year of 305 days, not counting Sundays or holidays. As to the unemployment of the fathers in the families of these women workers, the figures for the silk industry may be taken as illustrative. The average days idle for the silk weavers among them amounted to 65 in the year, for other skilled workers, 81, and for the unskilled 91.<sup>19</sup> The average loss for all of the fathers at work totalled 74 days in the year, or 24 per cent of the normal working period. The investigators summed up the situation in this way: "If all the fathers had worked the time they were idle they would have earned enough to largely make up the deficit that would have been caused if the children under 16 had not worked."<sup>20</sup>

After a careful analysis of existing data on the relation of irregular employment<sup>21</sup> to the living wage for women, the conclusion is

<sup>14</sup> *Report on Condition of Woman and Child Wage-Earners in the United States*, Senate Document No. 645, Washington, 1910.

<sup>15</sup> *Ibid.*, Vol. II, p. 388.

<sup>16</sup> *Ibid.*, Vol. I, p. 469.

<sup>17</sup> *Ibid.*, Vol. III, p. 546.

<sup>18</sup> *Ibid.*, Vol. IV, p. 280.

<sup>19</sup> *Ibid.*, Vol. IV, p. 269.

<sup>20</sup> *Ibid.*, Vol. IV, p. 295.

<sup>21</sup> Andrews, Irene Osgood. "Irregular Employment and the Living Wage," *American Labor Legislation Review*, June 1915, p. 311.

put forward that "all facts agree that actual earnings fall far short of possible earnings based upon rate of pay. At least for the workers here considered, the average girl or woman loses in wages an amount equal to no less than 15 per cent of her possible earnings. The younger, more irregular worker, loses an even greater amount."

No such careful estimate of losses by men wage-earners can be made without more data than are available at present, but certain illustrative material is significant. Facts regarding steel workers have already been cited. In Chicago, the Mayor's Commission on Unemployment reported in March, 1914, concerning its investigation of trade unions, that "None of the members of these unions would receive less than \$700 a year at their trades if they worked full time; but, actually, the average member in 40.9 per cent of those reporting received less than \$700 from his trade" (p. 15). In a forthcoming report, to be published by the Russell Sage Foundation, on Industrial Conditions in Springfield, part of the series resulting from the survey of Springfield, Illinois, in 1914, facts bearing on irregularity of employment among miners in that district are given which show an average number of days in operation ranging from 10 to 20 each month in the year and an average for the entire year of 174 days or only 57 per cent of the possible 305 days of a full working year. Thus the miner whose rate of pay is \$2.84 per day "could scarcely make \$500 a year provided he had full time work every single day of the year that his mine was in operation." His annual earnings on the basis of a full time 305-day year would be at least \$850. In a study of 100 families of wage-earners in various occupations included in this same report, it was found that two out of every five bread-winners had an irregular income.

Unemployment and irregular employment is a social problem obviously, because in affecting income, it affects at once the standards of living of the community. Its effect upon income is twofold: it reduces earnings below the real capacity of the worker as measured by the rate of his wages, and it makes his receipts uncertain, varying from week to week in such a way as to render thrifty management almost impossible. Recently the Committee on Women's Work of the Russell Sage Foundation made a study of Italian girls in industry, one section of which was an inquiry into actual earnings in 48 families, based on monthly visits extending over the period of a year, to secure the facts about the weekly wages of every worker.

The results are as yet unpublished, but the manuscript report contains some conclusions which are pertinent in a discussion of unemployment. The conclusions have added value for the reason that the investigator<sup>22</sup> had been resident in the neighborhood for several years and knew the majority of these families as neighbors before she began the investigation. Moreover, the facts were secured not in one interview, but in several at frequent enough intervals so that as little as possible reliance need be placed on the memory of those who gave the information. Quotations from the report may serve to summarize the facts.

The only conclusion which we feel justified in putting forward is that the standard of living is not to be measured by the total income received in a year, but by its regularity. That management is an important factor in producing a wholesome standard is obvious. To be able to count in advance on a fixed amount of money is almost an essential prerequisite of efficient management.

When the investigator was asked to select the families which she would place in a group having the highest standard of living, she did not choose those having the largest income, or even the largest per capita receipts. She selected first, the one in which the income had been most regular throughout the year, although the total was only \$1,175 for six persons. How fluctuating was the income in some of the households is shown in a series of charts, one for each family. The first pictures weekly receipts which varied from \$6.50 to \$52.50 with a total for the year of \$1200.24 and an average of \$23.08 a week.

Unfortunately, very little information showing weekly income is to be found even in the comparatively few budget studies which have been made in this country. If more were available, we should probably find that the curves showing fluctuations in the labor force in industry are matched by curves revealing variations in family income, and that these relate themselves to the standard of living as causes of waste and friction precisely as irregularity in industry produces waste and friction tending to lower the capacity of plant and workman alike.

If it be true that variations in income are undesirable in their effect upon family standards, the fact deserves consideration when proposals are put forward to establish variations in wage rates as one remedy for unemployment. Wage rates do tend to vary now in some industries,<sup>23</sup> especially the unorganized, going down in slack

<sup>22</sup> Miss Elisabeth Roemer of Richmond Hill House, a settlement in an Italian neighborhood in New York.

<sup>23</sup> Cf. Pigou, A. C., *Unemployment*, pp. 75-93.

season, and not always returning to their normal level in busy times. The proposal, involving as it does, a measure of bargaining between groups of workers and employers, would doubtless be an advantage in substituting a controlled effect of unemployment on the wage scale for the present uncontrolled effect. It should be clear, however, that this would demand not only equality of bargaining power between worker and employer, but a much more scientific knowledge than we now possess as to the relation of fluctuations in demand to wage rates, and more publicity about the proportion which wages form of the total cost. Otherwise the proposal to reduce wages for the same hours of labor in slack season involves the possibility of exploitation. No measure which endangers wage standards can cure the distress due to unemployment, for unemployment itself is but a phase of the wage problem.

Meagre then as is the available information about the total effect of unemployment on wage standards, the illustrative facts which have been cited are convincing on three points:

1. They indicate a general industrial tendency toward fluctuations in the labor force as it is measured in the total payroll.

2. They give evidence of a waste of productive power, both of industries and of men.

3. They show that wage rates, whether established by unions, by minimum wage boards, or by individual agreement, are no guarantee of an adequate income unless assurance be given also of some degree of continuity of employment.

Many measures are now being advocated to prevent unemployment by reducing the number of those who are most likely to become unemployed, by preventing child labor, by providing for the aged, by increasing individual efficiency, by developing and strengthening character, by inculcating thrift. All of these are important, and their accomplishment would undoubtedly lessen the distress which now prevails because wage-earners are out of work. Nevertheless a consideration of the relation of unemployment to the wage scale emphasizes primarily unemployment as a wage problem, and, therefore, a problem of industrial organization. As such we cannot hope to achieve results by any more rapid method than attacking it in each industry, in each locality and in each establishment. In some way the faith must be made general that unemployment and seasonal variations are not inevitable. Somehow men must be set

to thinking about it in the coal mines, in the steel mills, in the cotton mills, in the clothing factories and on the docks. The research work which is needed now is investigation through experiment: Perhaps the best result of unemployment insurance would be to make men think, and to place a premium upon regularity. The next step in industrial organization should be to demonstrate through actual experience what may be accomplished in getting rid of the present variations and irregularities in the payroll week by week.

## SCIENTIFIC MANAGEMENT APPLIED TO THE STEADY- ING OF EMPLOYMENT, AND ITS EFFECT IN AN INDUSTRIAL ESTABLISHMENT

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The effect of steadying employment in an industrial establishment is of such great and growing importance that it is well to say a few words in regard to the term "employment." The term employment is used so generally as to have various and more or less vague meanings, varying according to its use and its user. It is more commonly used to refer to the actual act of employing and means simply the hiring or putting of people on the payroll.

Practically every large industrial establishment today has an employment department whose business it is to hire the employees who are asked for by some foreman or other department head. While there can be no employment which does not begin with hiring, the kind of employment that this paper deals with contemplates hiring as only a part, and not the largest part, of the real employment problem. The real employment problem begins after the act of hiring has taken place and is a continuous function which does not cease until employment is ended. From this point of view employment is one of the most important functions of management in an industrial establishment.

As real or scientific management deals with the development and coördination of the welfare of each and every individual in the organization, the importance of scientific employment can readily be seen. This is being realized more and more by both managers and the public.

The object of an industrial organization is to coördinate effort for the continuous and permanent accomplishment of a definite purpose. Therefore, the steadying of employment is the most important problem of employment. For general purposes there are two kinds of problems which have to be considered in connection with the employment function as well as with other functions:

first, the problems of the function itself, and, second, the problems of all other functions in their relationship to the function under consideration.

It is the real problem of the employment function to keep every position necessary to carry on the business of the organization steadily and permanently filled with men and women best fitted for the purpose. For this purpose every industrial organization should have some one person or department whose sole business is the studying and handling of this problem. This is a function that cannot be administered by some head or underling in an operating department. The immediate interests of anyone responsible to any degree for operating are bound to be in constant conflict with the ultimate objects and policies of the employment department. From time to time questions arise between employees and heads of operating departments and no one who is a party to these questions is in a position fairly to decide and solve them. The solution of such questions is a function of the employment department and they would be impossible of fair and satisfactory solution if the function of employment were administered by one who might be an interested party. Where, moreover, enough people are employed to make employment a real problem, it is a problem as important and requiring as much, if not more, ability than operating itself and there is no reason why it should not be administered by one who is just as capable and has as much ability in his line as a head of an operating department.

Scientifically speaking, the employment problem really starts after the act of hiring has taken place, and, while the hiring of new people should be a constantly decreasing problem, after they are employed, the employment problem in connection with a new employee is of importance second to none. A new employee, at the best, is undeveloped for the position which he is called upon to fill in any organization, and, as he has been employed in order steadily and permanently to fill a position necessary for the objects of the organization, he needs and is entitled to especial attention in order that he can be developed to fill that position fittingly. For this purpose the greatest possible care must be exercised when new men and women are employed in selecting such as seem not only best fitted for the particular position in question, but, above all, fitted for the organization.

The question of fitness for the organization is the more important and, generally speaking, is the one that can be better determined at the time of employment. It is more important because no matter how skilled or well-fitted a man or woman may be for the given position, if he is not fitted for and in harmony with the organization and its objects, he will not only be inefficient in his surroundings, but will be continuously a detriment to himself and others in the organization. As this is a matter of spirit and inherent attitude of mind, it is a matter that is the more readily detected in the course of a personal interview by anyone with any reasonable amount of training and experience, who makes a specialty of the function of employment.

The determination of the fitness of a new employee for the given position is generally more difficult except, of course, under conditions where the position is one that has been scientifically standardized and the employee has proven his fitness in the same kind of a position under similar conditions of the same degree of standardization elsewhere. As yet, at least, this is of very exceptional occurrence and only the normal case can be considered.

The employee's general physical and mental fitness is an important factor. His physical fitness is of prime consideration and is, as a rule, readily determined. The important thing in this connection is not only to have adequate service to determine physical fitness at the time of employment, but to have a systematic follow-up. The determination of physical fitness in a scientific employment department must not be made with a purpose of eliminating those who are at the time of employment physically unfit, but for the purpose of eliminating only those who are permanently unfit. Many cases, seemingly unfit, are capable of attaining physical fitness and normal health under scientific employment. Such cases should not be eliminated, but should be saved to the industry.

We hear a great deal of late about psychological tests for fitness and there is no doubt that this is a field subject to a great deal of useful and practical development. It will, however, never aid materially in the solution of this problem, except in special instances where definite and special aptitudes are required and can be made subject to practical tests, *e.g.*, it will be conceded that it would be a mistake to employ a railway engineer who could not distinguish red from green readily. Tests of this nature are undoubtedly use-



ful and will figure in a more important way in the future. Practical tests of this kind are being developed by progressive companies. For general purposes, however, these tests will only be useful for a few specific purposes and will, perhaps, be of less importance in an ordinary industrial establishment than in other fields.

In an industrial establishment the character of an employee and his fitness for the organization are the most important things. His fitness for a given position is secondary and depends less upon his mental qualifications at the time of employment than it does upon his development by and in the organization. No matter what the manual skill of an employee might be, if he is out of harmony with the surroundings, he is more of a detriment than a help to the organization and himself. Every organization has definitely perceivable characteristics. We often hear of the "tone" of an organization. When the personality of the employee is out of harmony with this tone, the resultant harm to the organization will be much greater than if he were unfit for the position but in harmony with the organization. This is chiefly a question of character. Unfortunately, as a rule, the importance of character is only recognized in extreme instances. If a man's character were such that he would resort to personal violence or dishonesty, his unfitness would be recognized no matter how fit he might be for the position. If, however, his character were such that he was inherently uncoöperative and resorted to underhandedness, the importance of his character and fitness for the organization would be overlooked in many instances if he showed particular fitness for his position.

Fitness for a given position in the operating departments consists chiefly in the acquirement of skill in the performance of certain manual tasks. Given character and fitness for the organization, the acquirement of skill in the performance of a given duty is generally a matter of proper training being provided by the administrative side of the organization. It must always be remembered that skilled and fit men are not born, but made, and it is an essential function of any industrial organization to train men and make them fit for specific positions necessary to the objects of the organization. There is no broader admission on the part of a manager of his own inefficiency and his own lack of comprehension of his duties and problems than the oft heard complaint on his part of the lack of skilled men.

Under scientific management the management assumes as a definite part of its function the development and training of employees, and the employment function is carried on scientifically in recognition of the above conditions. At the Clothcraft Shops of the Joseph & Feiss Company, all applicants are interviewed by one of the heads of the service and employment department. Information concerning applicants is put down in detail, together with other notes as to various qualifications, upon a form provided for the purpose. During the course of the interview careful note is made of apparent qualification or lack of it. Applications are carefully filed and when a position is to be filled the most promising applicants are sent for. When the applicant is hired, one of the heads of the employment and service department takes him in hand and goes over again in detail such other ground as relates to the condition of employment, which is covered in a more general way at the time of application. This interview is of great importance and covers concisely conditions of his employment both as to the responsibility towards himself and the organization and the responsibility of the organization to him.

As an industrial organization is based on coöperation for continuous mutual benefit, it is very important not only to explain this, but also to explain in detail where the mutuality of interests lies and how necessary coöperation is to obtain continuous mutual benefits. One of the most important responsibilities of the employee is to fill his position steadily and continuously in order that the interests of all concerned will not be jeopardized. In this connection matters very personal and conditions outside the establishment often become very important and must be studied and dealt with as part of the employment problem wherever employment is to be scientifically considered. Volumes could be written on this subject. This phase of the problem alone occupies the larger part of the time and attention of the service and employment department at the Clothcraft Shops of the Joseph & Feiss Company.

This company has given particular attention to this side of the problem and in this connection has made a special study of sanitary conditions and other conditions that affect the health, comfort and contentment of its workers. Medical examinations are compulsory and have been developed to a high state of usefulness. Medical service not only includes a regular practicing physician, but also a

dentist, oculist and a trained nurse. The trained nurse and others of the employment and service department make home visits daily to all absentees, new employees and others. In connection with this side of the employment problem the use of the English language is considered most important and attendance at the English classes at the factory is made compulsory to those who cannot make themselves readily understood in English. Among other things this company has established, for the purpose of dealing with mental and physical fitness of its employees, shower baths, locker rooms, lunch rooms, recreation rooms and recreation grounds, a branch library and a penny bank. The limits of this article do not permit the author to go into detail as to the application of these things to the problem of employment. They all are for the purpose of keeping men and women of the organization in all respects fit to steadily fill their positions as efficiently as possible.

For all purposes of employment there must be a continuous and systematic following up of the individual and there must be established both in spirit and fact an absolutely free contact unhampered and uncontrolled in any respect by any function excepting only the employment function itself.

So far we have considered only the employment problems of the employment function alone. We shall now consider some of the problems of the employment function in its relation to other functions and to extraneous conditions. As to the relation of other functions of the organization to the employment function, there must exist in the first place heartiest coöperation in their administration. The success of other functions greatly depends upon employment and upon this coöperation. Many employment questions arise in the performance of duties connected with these other functions. Although these and many other facts are brought to the attention of the employment department by the development of free contact and the general relationship that must be developed between the employees and the employment heads, it is necessary that all functions are so administered that all such matters are systematically and immediately brought to the attention of the employment department.

While employment is a condition precedent to the performance of many other functions, all such other functions must be administered with a constant view toward the solution of the problems of

employment. All employees, especially new employees, must be given constant and systematic instruction. They must be fairly dealt with in the distribution of work and other matters of functional administration pertaining to them. No functional foreman should be permitted to allow anyone to work who is in the slightest degree dissatisfied, or has the simplest kind of injury, or who is not feeling perfectly well, or who is or is likely to be in any degree physically or mentally unfit, without calling it to the immediate attention of the employment department.

It is the duty of the management under scientific management to standardize all work and working conditions in order that as nearly as possible an even flow of work is maintained throughout the establishment and that all workers have a steady and equal opportunity for continuous employment and earnings. At times of industrial depression the working force should not be cut down except only under such extraordinary conditions as may be forced upon the industry, which are absolutely beyond its control. When there is not enough work to keep the entire working force steadily employed, the number of hours of employment should be reduced equally throughout the whole organization. If all managers realized their duty in this respect, both to their organization and to the community, there would be very little, if any, aggravation of the problem of unemployment during periods of industrial depression.

As far as employment is concerned, there are two problems that daily occupy the attention of the operating departments which materially affect its steadiness. One of these is the balance of materials; the other the balance of personnel. The balance of materials for the purpose of steadiness of operation is recognized to be one of the main responsibilities that the management must assume. Scientific management provides for this by proper planning and routing. Balance of personnel is just as important. Where an employee is missing because of tardiness, absence or other reason, it interferes and seriously affects the steadiness of employment of the whole organization. To meet emergencies of this kind employees should be instructed to perform more than one operation. The most important thing in this connection, however, is that tardiness and absences are cut down and employees are kept as steadily as possible on the job. At the Clothcraft Shops of the Joseph & Feiss Company employees are constantly being instructed to perform new operations and by means mentioned above the service

and employment department has cut down absentees and tardies to such an extent that there are many days when there are no tardies and when the absentees amount to less than one per cent of the working force.

Without going into unnecessary detail, it must be remembered that all interruptions of work and all other delays in the steady flow of work are matters which affect the problem of steadying employment. Before leaving the operative functions and their connection with this problem, it is essential that we remind ourselves that steadiness of employment depends upon personal relationship as much as upon anything else. For this purpose it is not only important to consider personality in the selection of the ordinary employee for a position, but it is still more important to consider the proper personality or the possibility of its development in the selection of functional heads who have constant contact with any part of the organization. Such heads are very often chosen merely for their mechanical ability and are generally responsible for a great many unnecessary quitters and a consequent unsteadiness of employment. The general question of personal relationship is a question of managerial policy of the greatest importance and the social problem must not only be met by such means as touched upon above, but a social spirit based upon real democracy must be developed as a matter of policy throughout all ranks of the organization.

The seasonableness of certain industries is generally recognized as one of the extraneous problems affecting steadiness of employment. A great deal of education of the buying public is necessary to assist in overcoming this condition. A great deal, however, can be done by competent management to mitigate this difficulty. For this purpose buying should be standardized to aid in the anticipation of orders. The most important problem in this connection is the selling problem. The development of the sales problem and the sales organization is generally far behind the development of the manufacturing problem and the manufacturing organization. Steps must be taken in order to insure sales not only of product that is easy to sell, but chiefly such product that can be continuously, and, therefore, profitably manufactured with the least interference with the steadiness of employment.

Mr. Morris L. Cooke, director of Public Works, Philadelphia, in an able address on "Scientific Management as a Solution of the

Unemployment Problem"<sup>1</sup> tells of a case in the hosiery industry in the Philadelphia district where it was found that those mills which sold their output through a single selling agent found their business very seasonable and subject to varying demands of output. All those mills which sold their own goods and developed the sales policy co-related to the problem of manufacture were able to regularize their demand as far as output was concerned to a very great extent.

The Joseph & Feiss Company, in order to meet this problem of seasonableness with a direct purpose of steadying employment, have for some time past conducted an advertising campaign which concentrated on certain of its products that could be produced from season to season without being much affected by the style question. As a rule, there is nothing more annoying to the industrial manager than this problem, as the sales policy is generally not within his control and there is no extraneous function which more affects his problem of steadying employment and whose proper relationship to this function is more misunderstood.

Volumes could be written on steadying of employment and the employment problem in general, but proper consideration and reasonable effort expended along the lines suggested above will prove more profitable in result than can readily be comprehended. It has already been shown that the Clothcraft Shops have reduced tardies and absentees to a minimum. No greater proof of the effect of steadying employment in an industrial establishment can be had than the record of the "labor turn-over" in this shop in the past four years. During the period covered from June, 1910, to July, 1914, the labor turn-over of the Clothcraft Shops has been reduced by 80 per cent.

The importance of this problem is only beginning to be recognized. Most managers make a study of their mechanical problem and consider it a necessity, not only to be equipped with the most efficient and up-to-date machinery, but to make a study of its use and the keeping of it in constant repair for steady work. But few recognize that this attitude in connection with personnel is of far greater importance. Steadiness of materials and machinery is only the adjunct to the real problem of steadiness of employment. In order to meet with real success, it must be recognized that it is a function of management not only to build up a "manufactory," but to build up a "man factory."

<sup>1</sup> Delivered before the Cleveland Advertising Club, May 19, 1915.

## A FUNCTIONALIZED EMPLOYMENT DEPARTMENT AS A FACTOR IN INDUSTRIAL EFFICIENCY

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The most significant fact pertaining to industrial management today is the attention which is being given to the problems of personnel. Recognition is being given to the truth that new sources of power and evolution of mechanical processes have but changed the points, in methods of production, at which the human factor is essential, without changing to any degree the ultimate dependence upon it.

The impressive thing is not that some men recognize the importance of the individual worker, for this has always been true of some; it is that such recognition is so rapidly becoming general, since it has been so long delayed. Yet the causes are obvious. Power can be produced for A and Z with little variation in cost to either. Plant design has been standardized until one can gain small advantage over another herein. The same mechanical equipment can be secured by one as by the other. There is no longer marked advantage possible to the thoroughly progressive house over another, equally progressive and intelligent, in the securing of raw materials, in the mechanical processes of manufacture, or in the methods of promotion and distribution. Wherein lies possible advantage of A over Z in the competition between them? Or the question may read for Z, how may he retain his prosperity in competition with A? This is one phase of the compelling logic which is leading to the study of problems of employment.

It becomes increasingly evident that the statement frequently made is universally true, if interpreted broadly, that the interests of employer and employee are inextricably bound together.

The social significance of questions relating to the mutual interests of employers and employees is so great that these could not have been much longer kept subordinate under any circumstances; but the utilitarian advantage to employers, individually

and collectively, of scientific study of these problems has become so plain that the present general interest in them among industrial leaders can most positively be ascribed to the fact that, whatever else they are, they are a vital concern of good business.

It was logical, when industrial management reached the stage that its practices could be defined, and the preliminary studies made to separate the good and the bad, in course of reducing such management to a science, that attention should have been focussed first on processes, machines and buildings. These things needed to be right before the worker could realize his possibilities. It is to be recognized, however, that though the word "efficiency" came into wide use during this stage of dealing with inanimate factors, the word is entitled to the far broader significance which carries an import of all-around effectiveness. Industrial efficiency, under proper definition, does mean and must be understood to mean right workers and right conditions for them as distinctly as right machines and conditions designed for their best operation.

This is the broad principle on which the functionalized employment department has been established. It is simply the application of the same reasoning to finding and maintaining the labor supply that has already been applied in industry to problems of building, equipment, mechanical supervision, and the methods by which business is despatched.

There is this greater difficulty in establishing a functionalized department for employment and correlated responsibilities than in establishing a department for almost anything else, that however frankly men will acknowledge limitations on some sides, few will admit or believe that they are not particularly perspicacious in their judgments of men. This is particularly true of those of circumscribed vision, whose advantages have been few and whose opportunities for developing breadth in their mental processes have been limited, as is the case with many minor executives or subforemen. Such an one feels, perhaps not unnaturally, that his prestige with the new employee is impaired if employment is secured through some department outside his own. Moreover, he is likely to ascribe to the employment department no other basis of appraisal than he himself has used, and with this as a premise, he argues that his own intuition is better than that of one who lacks his own intimate knowledge of the work for which he is responsible.



Almost invariably, too, he fails to value to reasonable extent the loss to his own work which comes from the waste of time involved in interviewing and employing, even if he undertakes to do this with such care as that of which he may be capable.

Too much emphasis may not be placed, however, on the difficulties incident to establishing the employment department, for the foremost concerns have so definitely accepted the principle that it is bound to be accepted generally. It should simply be recognized that such a department cannot fulfill its function to become a large contributor to the success of the business unless it be given recognition and endorsement sufficient to gain for it coöperation from the departments with whose problems of personnel it must be in contact. A large responsibility rests upon the employment department to work carefully and considerately, with open mind and appreciation of the problems of others; but even so, occasional support in the way of instructions from above will be needed to give the department access to some parts of the field wherein its work should be done.

This raises the question as to the place of the department in the organization. There can be only one answer, if the installation of the work is made in good faith—it must be in direct contact with the topmost management, where its problems can be passed upon promptly and decisively by ultimate authority, if issues arise. More important than this, the creation and establishment of such a department in a business should mean that the avenues of communication between those in the ranks and those at the top, which too often have become closed as a business has grown large, are to be re-opened. If this does not become true, the potentiality for good in such work can never be more than partially realized.

It is a duty that distinctly belongs to the employment office, to cultivate sympathetic knowledge of the opinions of workers and to bespeak these to the management. All industry is so set up that the word of the management can be quickly and easily transmitted down. It is no less of consequence to those above than to those below that some agency exists for facilitating the reverse process.

Industrial efficiency could not have been so definitely advanced as it has been without gigantic accomplishment in gathering data, codifying it, and the establishment of systems to realize benefits from the lessons learned. It is useless to expect that great businesses

can be conducted without a great mass of prescribed routines designed for the greatest good in the majority of cases. But it is true that the necessary struggle for uniformity and system has involved the limitation of individualism to standardized types to an extent that raises some serious questions.

It is impossible to set limits to the advantages which may accrue to a business from such attributes of personality among its men as loyalty and enthusiasm, and yet personality cannot well be standardized. Herein the employment department needs particularly to be on guard in its own work. It must steer between the danger of following the foreman's method of picking men because he likes their looks or their manners, and a method so systematized and impersonal as to have eliminated all individualism.

It is for this reason that great caution is needed to avoid blind acceptance of methods from among the various systems evolved by the less careful industrial psychologists or advocates of character analysis. Much along these lines has been established which ought to be known and utilized to reasonable extent in the employment office. It is surely true that certain physical types are particularly adapted to certain forms of manual labor; it is as true that certain mental types have especial aptitudes which ought to be recognized in assigning them to work. Experimental psychology has taught us how to determine the mental defective and the moron, and is capable of doing far more for us. But there is a refinement of system proposed by some that is neither commercially profitable nor ethically sound, in that on the one hand, at large expense, it attempts the standardization of personality, and on the other, it accepts unduly a theory of predestination which would largely limit the opportunities for proving individual worth.

There are, however, no differences of opinion concerning the desirability of standardization of jobs. This is not properly a responsibility of the employment office, but knowledge of what the respective standards are is one of its vital needs. If the data have not been gathered and made available, one of the most essential moves for the employment office in the establishment of its own work is to undertake such a survey of requirements of the work and opportunities for the workers in the respective departments and sub-departments as brought together will give a composite of the whole plant. Such a survey need not be made obtrusively nor need it

become a nuisance to department executives. It will necessarily involve the expenditure of considerable time. But it is worth while doing, even if it has to be done very quietly and very slowly, for while it offers the most fundamental data for employment work, it likewise often shows such inconsistencies in practice that a company can markedly raise its average of efficiency, if only it brings the departments of lax or faulty standards somewhat up towards the grades of those which are being well administered.

Such a survey in its elementary form should show at least such facts concerning the respective departments as preferred sources of supply for new employees, education or special training required, any special attributes desired, initial wages paid, opportunities for advancement in position and possible wage increases, working conditions and working hours, and labor turn-over.

The term "labor turn-over," which has recently come into general use, even now is not fully understood by some, and is perhaps best described by the more brutal phrase in general use, "hiring and firing." The annual "hiring and firing" figures represent the percentage of labor turn-over. For instance, if a company maintains a normal labor force of a thousand people, and is obliged to employ annually a thousand to compensate for those who leave or are dismissed, the labor turn-over is 100 per cent.

Probably no greater argument for the establishment of a functionalized employment department in many companies could be made than to induce a study of the labor turn-over figures. It is not an unusual experience to find employers who estimate the figures of their own concerns at less than 50 per cent, when it actually runs to several times that figure.

It is to be noted that such figures, though illuminating in themselves, need further analysis to be of major use. For instance, seasonal demands may be such in the specified shop normally enrolling a thousand hands that two hundred must be employed periodically for a few weeks and then dismissed, their places again to be filled in a few more weeks. If this happens five times a year, the turn-over figures will be 500 per cent. The other extreme would be a concern with such lack of knowledge of the money loss involved in change that practically every job was vacated and filled at least annually, when likewise the labor turn-over would be 100 per cent. Such figures are much too high, but they are not infre-

quent. They likewise are expensive, but while in the latter case the concern in question would bear much of the expense, in the former it is more largely imposed upon the community. Working men or working women who, through no fault of their own, are deprived successively, time on time, of the opportunities to realize their earning capacities, inevitably suffer impairment of courage, self-respect, and even moral fibre, the loss of which falls first upon the community, but eventually upon industry, in the depreciation in quality and spirit of the labor supply.

It is extremely difficult to know what can be done to remove the seasonal element in employment needs in the majority of cases. On the other hand, much would be gained if, by analysis and comparison, foremen and sub-managers could be shown the futility and financial loss of the lack of comprehension which allows them to discharge carelessly on caprice, or for the maintenance of that perverted sense of discipline which they phrase as "keeping the fear of God in the hearts of their people."

There is so much advantage in having employees who know the ways and routines of a concern that it would seem that, except where dismissals are for sufficient cause, those suffering them would be preferred applicants for positions elsewhere in the company calling for like grade of ability. It is not often so, nevertheless, except where a well-established employment office or its equivalent exists. All too frequently, a reduction of work in one department of a large manufacturing plant will send workers out under dismissal, while some other department of the same plant is seeking additional help.

A rule which has been established in some large plants, and which has worked advantageously, is that no department can discharge an individual from the company's employ; it can only dismiss from its own work. In effect, this subjects the case to review of some higher official who holds the power of final discharge, gives the employment office a chance to utilize the experienced employee elsewhere, if of proved capacity, and acts as a healthy check on the impulsive high-handedness of certain types of foremen and sub-managers. Another rule which works to somewhat the same effect is to require advance notices to be filed with the employment office concerning projected dismissals, together with the reasons therefor.

Other statistics which will interest the progressive employer may be compiled, showing the degree of permanency of the labor

force—thus, the percentages showing what proportion of the total enrollment has been employed less than a year, what proportion for between one and two years, and so on. Not infrequently it will be found that these figures reveal employment conditions quite apart from the theories of the head of the house and contrary to his belief as to how his business is being run. A manufacturer employing about four thousand men told me recently that he had genuinely believed that a large proportion of his men had been with him from ten to twenty years, only to find from such a statistical table that 50 per cent had been there less than two and a half years.

Incidentally, it may be suggested that some of the easy generalizations which have been made from time to time in regard to the lack of stability of workingmen as groups, because of the presence therein of so-called "floaters," would be materially altered if it could be known to what extent it had been beyond the volition of workmen of unquestioned skill to remain permanently placed. In general, the handling of dismissals has been dictated by the intelligence of sub-executives rather than by the intelligence of the management, and there has been no supervision from above.

The functionalized employment department is dependent, for successful accomplishment, in particularly specific ways upon the smoothness with which its work can be made to articulate with other functionalized departments, such, for instance, as the accounting department, the schedule or routing department, and other like ones. It must rely on these for the data to prove much of its own work, and in turn it may find within its perspective facts highly important to them. Through the large number of its interviews, it should come to have an unusually comprehensive knowledge of current rates of wages for established grades of work. It ought, furthermore, to come into position to know to what extent the law of increasing returns will apply to additional rates of pay established to secure superior ability.

It is probably due to the fact that the attention of industrial leaders has been fixed in the past so intently on problems of power, plants, and machines that so little practical recognition has been given to the fact that the most efficient worker, even at considerably increased cost, is far and away the most profitable. The most obvious demonstration of this exists perhaps in the case of a shop filled with expensive machinery working to full capacity, yet with

its production falling behind its orders. Would there be any hesitancy if its management could have an option offered between added efficiency and enthusiasm among its employees that would increase its potentiality a half through the enrollment of its labor force on the basis of capability to earn a largely increased wage, and the alternative of the necessity of adding 50 per cent to its plant and mechanical equipment? The truth is that seemingly there is not yet any general understanding among employers that a high gross payroll does not necessarily result from a high individual wage, or expressed in slightly different terms, that the cost per unit of production may be larger the lower the rate of pay to the individual worker.

A somewhat analagous principle is involved in the matter of working hours per day. The old-time practice indicated a theory that if so much work could be accomplished by a working-week of sixty hours, 20 per cent more could be accomplished in a working week of seventy-two hours. Reduce these figures to fifty hours a week as compared to sixty, and the theory does not seem to have been so completely discarded even now. Yet the facts are available from modern investigations of the physical and nervous reactions from fatigue, lack of variety incident to refinements of methods in specialization, and want of time for recuperative processes, to show that up to some definite limit actual gross production may increase under reduction of hours; or that up to some other limit a much larger proportionate production per hour of work may be secured. Moreover, these arguments have been proved again and again in the actual operations of progressive companies.

It is not to be understood that the employment department does have or should have final authority to govern these policies. But the department is in a position to study and compile data regarding these problems as very few other departments can; and either in initiating or contributing to investigations of all such matters affecting the human relations, it has opportunity for rendering the most valuable kind of staff service to the general administration and to departments associated with itself.

Industrial efficiency, with all its vital importance, is yet a means to an end, and not the end itself. It is the quality or manner by which a highly desirable result is to be accomplished, but it is not the result. It has too often happened that an earnest advocate

of efficient methods has become so engrossed in the technique of his profession as to ignore its purpose, to the consequent detriment of the general cause.

So it may be too easily with functionalized employment work. An office may be set up under the direction of a master of system, which in its operation shall be a model of method. Interviewing of applicants filling out of skillfully devised application blanks and filing them, and creation of numberless card records may be so conducted as to show these things to have been reduced to an exact science, and yet the value of the department remain problematical.

Of course, no effort must be spared to have the ways devised by which the best possible candidates shall be offered and chosen for the respective kinds of work. But the work is incomplete if it stops here. The good of the business is the criterion by which all accomplishment must be judged. If a high grade of labor has been secured, the company's interests demand that the environment, the conditions and the opportunities shall be made such as to hold it. The employment department cannot omit any legitimate effort to influence policies to this end. It must work helpfully and understandingly with other departments, without pride or arrogance. But it must work unceasingly with clear vision toward the goal of making its distinct contribution to the company's prosperity through the improved human relationships which it may help to develop.

## THE NEW PROFESSION OF HANDLING MEN

BY MEYER BLOOMFIELD,

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For more than three years a new type of association dealing with the problems of hiring and developing employees has been at work in Boston. During 1911, the Vocational Bureau of Boston invited fifty men, who had in charge the hiring of employees in large shops and stores of the city and vicinity, to come together and consider the advisability of meeting regularly. As a result, the Employment Managers' Association was started.

The aims of this association are described as follows in the constitution:

To discuss problems of employees; their training and their efficiency.

To compare experiences which shall throw light on the failures and successes in conducting the employment department.

To invite experts or other persons who have knowledge of the best methods or experiments for ascertaining the qualifications of employees, and providing for their advancement.

It will be seen that the aim of this new association was to provide a professional medium for the exchange of experiences in a field where little interchange of ideas had taken place; to study the human problem in industry on the basis of fair dealing with the employee. In short, there was a conscious effort to make industrial practice square with the dictates of twentieth century enlightenment.

Since the starting of the Boston organization, the cities of New York and Philadelphia have formed similar societies. The present indications are that a country-wide extension of such organizations will take place, because the idea underlying them appears to be fundamental, and in accord with the aims of both industry and social service.

If such extension, then, of employment executives' associations should take place, the time is opportune to consider their purposes, and their possible contribution to right industrial relations. Bearing in mind the fact that the original effort for such type of associa-



tion came from an institution whose chief aim is the promotion of opportunity, the trend of development in such associations should be along the line of enlightened thinking in modern industrial organization. If their growth remain true to the initial aims, such associations are in a position to help unravel the tangled problems of misemployment, underemployment and unemployment, and the waste of human capacity in general.

When everything that present-day science can suggest in the way of improving technical efficiency in systems of cost-keeping, equipment, machinery and material has been adopted, the biggest of all industrial problems still remains to be faced.

This is the problem of handling men. Every thoughtful employer knows that managing employees, selecting, assigning, directing, supervising and developing them, is the one phase of management which is most difficult and complicated; and it is the one problem in industry which has in the past had least consecutive thought bestowed upon it. Not that employers have been unaware of the size of this task. Experiment after experiment has been tried with varying results, all of them aiming at the goal of welding the working force into a stable, dependable, and well-assimilated organization. And yet such organization is rare in modern industry.

Figures as to the change in the working force of various establishments are not easy to obtain, but enough are at hand to indicate an enormous leakage of employees each year in the average store, factory, and other places of employment. Many a concern employs each year as many persons as its total payroll. That is, there is a "turn-over" of employees amounting to one hundred per cent. The figures range from one-third to many times the total number of employees. How many employers have figured out just what it costs in dollars and cents to change an employee? How many have estimated the cost in terms of organization, loyalty, steadiness and esprit?

Obviously, an organization cannot be held together with ropes of sand. The coming and going of employees on such a scale as the data available would indicate cannot but prove a disintegrating force, a foe to sound organization, a source of unceasing mischief.

Employers, of course, appreciate more or less clearly what all this means. But few, however, have set themselves to study this problem as it should be studied. Some have with unhappy results

expected miracle-workers to solve this problem, and have toyed with strange employment schemes. Some employers have trusted to sleight-of-hand performances in hiring men instead of dealing with their big problem in the way they deal with other knotty problems. If to psychology they must turn, a psychologist and educator like Prof. E. L. Thorndike of Columbia, for example, could have shown them that the application of science to the problem of handling men involved long and painstaking, not to say exceedingly laborious, investigation. There is no royal road to solving the man-problem in industry. But there are ways, intelligent, common-sense and practically understandable ways, of setting to work. There are certain principles to be observed, methods to be adopted and standards to be maintained in dealing with the question of personnel, and adhering to these can alone insure a reasonable degree of success. In any event the waste and friction now involved in the average treatment of the hiring problem can be materially reduced.

In the first place, the proposition must be firmly grasped that handling employees is a serious business. Not everybody can or should hire; not everybody can supervise men. But it is to the employment department of the establishment that we must look for a solution; to its powers, duties, functions and place in the scheme of organization. And above everything else we must look to the character, training, equipment and place of the man who does the hiring.

It is at this point that thought can be most profitably bestowed. A new conception is needed of the functions of the employment department, and the qualifications of the employment superintendent. Not every concern has a special employment department, although the large establishments are giving up the system of hiring by department heads, and concentrating the selection of employees into a separate division. More and more the need is recognized of functionalizing the hiring and handling of men. Without such specialized treatment of this problem it is impossible to give the matter the attention which it requires. Moreover, the power to hire and discharge extended to a number of individuals has given rise to abuses and frictions which have cost the employer dearly. Nothing is more fatal to sound organization than such power without adequate supervision. Petty executives should never be en-

trusted with this vital function. Right relations cannot be secured by such a method. Hiring men and discharging men are serious affairs. Only big men can handle matters like these. Costly experience has settled this proposition. The human problem calls for its solution the best men and the most expert consideration.

This indeed is a moderate statement. To pump the life-blood through an establishment—this is what hiring men really means—is no trifling matter. The quality of the working force determines in the final analysis the quality of the organization, of its product, of its success. Nowhere is this fact more evident than in the organizations which sell service; for example, department stores and public service corporations. The point of contact between the business and the customers is always through the individual employee. The medium of communication is that very individual. The business is summed up as to its standards by this outpost in the person of saleswoman, telephone operator, or car conductor. Good will is made or unmade according to the type of representative. The larger the organization the more the units of contact. Business may be essentially impersonal, but it is highly personal in its service features. The teamster, driver, stenographer, floor manager, claim adjuster and scores of others act in a personal sense and with individual customers.

Who selects these people? On what basis are they selected? Is it all guess-work? Is it possible to standardize the work of selection? The business man who has not already asked himself questions such as these will do so before long. The whole drift of the time is in the direction of greater attention to the proper selection and supervision of the individual worker. It is no longer a by-product of other responsibilities, this matter of choosing help. It is no longer an inferior man's job.

The employment function is so important to good organization as well as right relations that the hiring office must be looked upon hereafter as one of the big departments of a business. Somewhere in the scheme of organization provision must be made for a well-equipped office to deal with the many problems concerning personnel. Only through such specialization can the solution be approached. In the first place, such office or department alone can deal with the task of scientifically organizing the source of supply of help. To depend on applicants at the gate, to hang out a want

shingle or to advertise through want columns or the medium of other employees is too haphazard a method. Raw material is not procured in this way. Scientific purchasing requires a study of markets, testing out of material and figuring of conditions. There is here no higgling and blind bargaining. The laboratory is frequently used to render the final verdict in favor or against a certain purchase.

Why has the hiring of men been permitted to go on with less systematic scrutiny? One reason has been the surplus, the labor reserve. This will not long avail, first, because industrial conditions and legislation are working to diminish, if not to wipe out, the excess of applicants for work on the fringe of every industry; and second, because wise business management recognizes the good sense of organizing the source of labor supply.

Source-organization assumes various forms. In the case of prospective executives, some large establishments employ "scouts," (not unlike those of major baseball leagues, who range the minor circuits for promising players), who visit periodically the colleges and other institutions and discover the men of promise. One of the leading manufacturing companies of the country is noted for its post-graduate business opportunities. Indeed, it has built its entire executive force practically out of the findings of its scouts. Another establishment recruits its rank and file from a careful canvass, a block-by-block, and house to house visitation of neighborhoods. One of the leading department stores in the East has made special arrangement with the high schools of its city and suburbs to send during Saturdays and vacation periods boys and girls for try-out work. They are fairly well-paid during the probationary period. When they have finished their school work, positions are awaiting them, based on the observations and the records of the employment department which is charged with this duty.

The source of supply, then, is the first job of a properly organized employment office. Ample powers are given such offices to reach out and tap the best reservoirs. There is no reliance placed on securing a competitor's help. The aim of such offices is to develop its own material from the raw. Permanence of work is secured by the fact that fitness for the work required is carefully ascertained in advance. Discharge is not in the hands of a variety of sub-bosses. Whim and prejudice are eliminated. The employment office aims to secure help that will find it worth while to stay.

To help in the proper appraisal of the employee's qualifications, the office keeps complete records, reports, observations and other data. Each employee may consult the file belonging to him. His story is on file, impersonal as a barometer. But the most important record of all at the start, in the right sort of hiring office, is that which begins with the application blank.

As one studies the application cards of various concerns the reason for misfits becomes clear. So little analysis of the work required has been undertaken that we have practically no specifications, no blueprints of job-requirements in order to enable an applicant to measure himself against the actual demands. Hit-or-miss is the prevailing method. Here we have one explanation for the labor turnover. The hiring office properly managed knows that a well-devised application blank is one of its first tasks.

Some time ago the application blanks of fifty leading corporations were collected. If one cut off the firm names, there would be difficulty in locating from the material the nature of the business it pertained to. The blanks showed little understanding of the specific requirements of the various occupations. There was little differentiation in the questions asked. Employees cannot be properly selected on such a basis. Each establishment must work out its own needs and demands and record them in the hiring blank. No conventional forms will do, unless selection be wholly given up.

In brief, to one who observes the current practice of hiring and discharging employees, the conclusion comes home with peculiar force that in no other phase of management is there so much unintelligence, recklessness of cost and lack of imagination. On the other hand, in the right organization of the employment scheme there would seem to be endless possibilities of genuine service, a service not possible even in the most benevolent of welfare projects.

The situation on the whole suggests the need of recognizing a new profession in the organization of industry—the profession of hiring and developing men. Executives will have to be trained for this work as they are trained for other important responsibilities. The employment manager, the executive within whose duties falls the direction of the personnel, must be prepared for this work as for a genuine profession. The handling of men in this century will call for unusual preparation in the way of understanding and a spirit of justice.

# THE LABOR TURN-OVER AND THE HUMANIZING OF INDUSTRY

BY JOSEPH H. WILLITS,

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While the social and economic doctors are holding clinics over the ills that have flowed in the wake of the industrial revolution, some attention may profitably be given to the question "Wherein will industry humanize itself?" While we are pondering over the whereabouts of the dividing line that separates those industrial evils which can only be eliminated by a greater degree of paternalistic government regulation, from those other evils whose eradication is so profitable that it can safely be left to individual initiative, it may be worth while to point out some spheres in the industrial field where more efficient management is just beginning to realize that there has been an unsuspected under-appreciation of the human resources. In other words, this article will attempt to point out at least one chief field where management is cutting down its own net profits by its failure to show sufficient consideration and regard for its employees.

To some extent management has been led into a general under-appreciation of the human factors by the development of machinery and the resultant simplification of tasks. Not long ago, I heard a nation-wide authority on the subject of the human side of industrial management, draw an analogy between war and industry. In war, before the invention of gunpowder, cannon, etc., the individual in battle was of supreme importance. Victory depended upon the strength and number of individual fighters. With the gradual "improvement" of our implements of destruction, from the days of the bow and arrow to the present seventy-five millimeter guns, the individual, as the winner of battles, has seemed to lose importance. The power of war machines came to accomplish a destruction apparently beyond the efforts of either man-quantity or man-quality. However, the experience of the present war has shown that, while the big guns can knock to pieces any fortification, there are relatively few places where the immense guns can be satisfactorily mounted.

Without control of these positions, the big guns are of little value. For the possession of such places the infantry must fight—man-power must win. The unit fighter has again become the important factor in the ultimate victory. The importance of the individual, apparently hopelessly dimmed by the big machines of destruction, again stands out as in the days of the bow and arrow.

A similar swing of the pendulum is to be noticed in industry. Big business after the first rush of growing big and using big machinery is beginning to wonder whether industry itself may not have lost something by its blind attention to the machine at the expense of the individual. The men with vision, who lead to the industrial world, see more and more clearly that it is the strength, skill, and willingness to coöperate on the part of the individual worker behind the machine that determines whether we shall get 40 per cent or 50 per cent or 90 per cent efficiency out of our imposing equipment of plant and machinery. Industry has failed to make use of its human assets.

One of greatest losses of human resources is in the excessive labor turn-over. By labor turn-over is meant the number of hirings and firings in a plant and the relation which that bears in a year to the total number employed. It is to this form of wastage of the human resources that this article refers.

The waste that is involved in the excessive amount of hirings and firings has been described as the "biggest waste that is occurring today" in the human side of management. One Philadelphia manufacturer to whom I wrote sums up the situation by saying, "You have absolutely put your finger on the sore spot in manufacturing today." One authority estimates that the average firm takes on each year as many new hands as are included in its normal working force—i. e., it has a hundred per cent labor turn-over. The best large-scale study that has been made of the size of the labor turn-over and the loss that is thereby involved, has been made among a large number of employing concerns in the United States and Europe, by Magnus Alexander, head of the training schools of the Great Electric Company. Mr. Alexander's study,<sup>1</sup> which covered firms employing all grades of labor, shows that the number of employees in the firms considered, increased during the course of the year 1912

<sup>1</sup> See address delivered before National Machine Tool Builder's Association, New York City, October 22, 1914.

only 8,128 (from 38,668 to 46,796). Yet the records show that during the same period 44,365 people were engaged, indicating that 36,237 people had dropped out of employment during the year. In other words about five and one half times as many people had to be engaged during the year as constituted the permanent increase of force at the end of that period. Of all these people engaged, 73 per cent were entirely new employees.

Allowing for vacancies due to death, sickness and other unavoidable causes, as well as increases in the force, Mr. Alexander estimates the number of necessary hirings to be at least 22,140. But, "What should be said, however, of the fact that 22,225 were engaged above the necessary requirements?" Basing his statement on approximate figures furnished by the firms under investigation, and dividing the workers up into different groups, Mr. Alexander estimates the loss incurred by these firms, through the unnecessary hiring of employees, as approximately \$775,000.

A study of a representative carpet firm in the Philadelphia textile district shows similar results. In that firm, one-half of all the persons hired in the period from 1907 to 1915 remained less than ten weeks. Seventy-four per cent of all hired remained less than one year. (See Fig. 1.) The foreman testified that "hands didn't begin to do good work for eight weeks."

More significant than the actual cost of high labor turn-over, is the fact that the average firm has no definite knowledge of this cost and even very little appreciation of its existence. Firms have frequently assured me, with some show of pride, that, "while what you say may be true of some firms, our turn-over does not amount to over 10 or 15 per cent." Yet, time and again, investigation showed that the actual turn-over in these firms ranged from 50 to 100 or even 200 per cent. The lack of appreciation of this human-resource leak by the Philadelphia carpet firm noted above is illustrated by the fact that the records of employment-duration had never been compiled, although the foreman kept a record of the dates on which individuals entered and left the employ of the firm. During the process of compiling these records, the foreman manifested considerable interest; and, on seeing the results, remarked "Who'd a'thought it?" Even more significant of the under-appreciation of the size and cost of the labor turn-over, are the results of a canvass made of firms on twenty squares of one of the leading



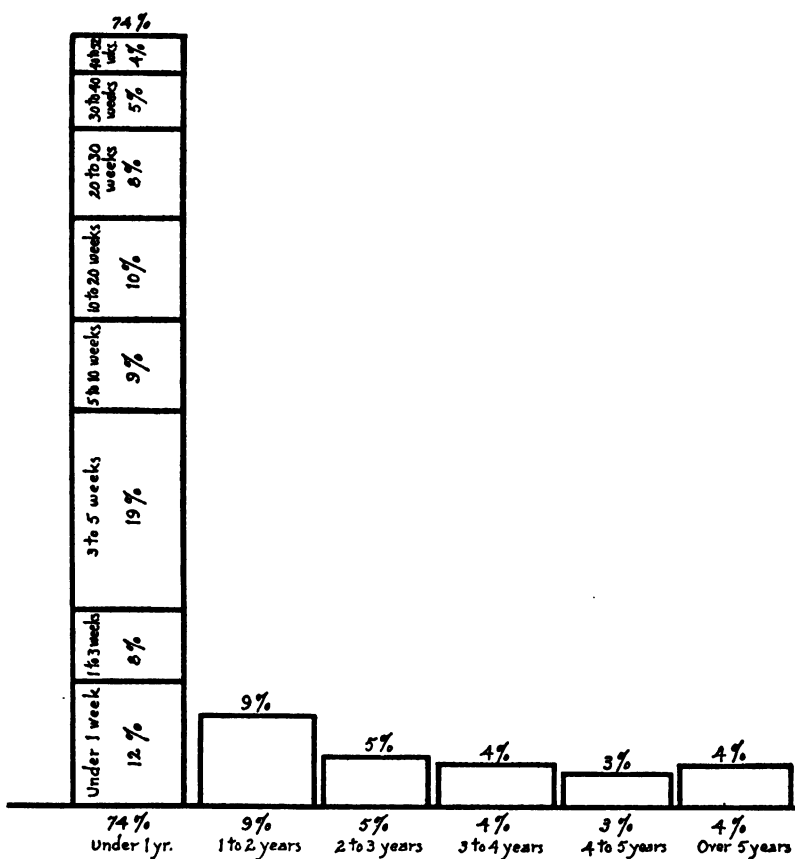


Fig. 1.—Chart showing length of time male employees hired from 1907 to 1915 remained in the employ of one representative Axminster carpet firm in Philadelphia. The chart for female employees shows almost identical results.

streets in the textile district of Philadelphia. This canvass showed that of the twelve firms interviewed, eleven had no idea or record of the number of persons hired and fired during the year. The twelfth was so small that the number of new hirings during the year was easy to remember.

It is inevitable that, with time and especially as a result of the awakening that is taking place in industrial management, ignorance and disregard of this waste will gradually give way before a general enlightened attack. There is no question but that it can be reduced if the serious attention of employers is directed towards this problem. The experience of one Philadelphia firm in this connection is significant. In 1912 the firm was running with a force of about 800, and during the year, hired 799. About this time the firm began to realize the seriousness of the turn-over problem and to make a definite attack on it. A steady reduction of the labor turn-over resulted until, in 1914, although the working force now numbered 1,000 employees, only 186 persons were hired during the year. In other words the turn-over in three years was reduced from 100 to 19 per cent.

The mere reduction of labor turn-over is fraught with the most far-reaching human results. A 50 per cent reduction of labor turn-over would, if general, diminish by half the flow of employees from shop to shop; would diminish by half the frequency of the heartrending, degenerating hunt for a job. How degenerating this frequent shift from job to job is, may be illustrated by the case that was told me of a man who was forced, through unfortunate circumstances, to change his job eight times in the course of one year. At the end of that time he drifted back to his first employer. This employer ascertained that his efficiency had diminished by one-half from that cause alone. A 50 per cent reduction of this torrent of labor through factories, would mean a longer chance to acquire skill in one job; a better chance for the development of a personal relationship between employer and employee; and would mean, finally, that the labor reserve of each particular industry would be reduced, since the chance for the casual worker would be less.

Of even more significance than the mere reduction of labor turn-over, so far as human results are concerned, are the methods by which firms are attacking the labor turn-over leakage. Broadly speaking, if employees are to be held by a firm, more consideration must be

shown them. It will pay the employer to show more regard for his employees' interests—a fundamental force toward the humanizing of business. This regard includes a wide category of things, all the way from better wages to insurance policies and Maxfield Parrish pictures.

From among this wide variety of devices, the four following devices are selected as being the most effective in reducing labor turn-over and the most potent for obtaining human results:

1. Improvement in the methods of hiring and firing.
2. Improvement in the methods of training employees.
3. Reduction of fluctuations in employment.
4. Better wages.

#### *1. The Methods of Hiring and Firing*

The improved method of hiring and firing most widely recommended is the transfer of the authority in part or in whole from the foreman to a functionalized employment department<sup>2</sup> in charge of a high grade man, directly responsible to the heads of the concern. Anyone who has had the opportunity to inspect at close range the duties and mental calibre of the average foreman, must at once recognize that any step that will guarantee more intelligent supervision of the relations between the foreman and his employees, especially in such fundamentals as the hiring and firing of help, will work toward the humanizing of industry. A man of narrow experience and narrower mental concepts, this man usually has one thousand and one other duties to perform so that the hiring of help is purely an incidental thing. The result is that the job and the man may or may not fit each other—to the mutual injury of employer and employee. An extreme illustration of the result of leaving the ultimate power of hiring with the foreman may be found in the case of the Philadelphia textile factory, which advertised that on a certain day it expected to take on a number of weavers. On the morning indicated, a large crowd of applicants had assembled. When the doors opened, each of those in front rushed in and grabbed a machine. That was all the "choosing" there was.

The withdrawal from the foremen of the power of choosing the new help means that the firm is taking more responsibility for seeing that the square peg is put in the square hole so that it is better

<sup>2</sup> See Mr. Hopkin's article on page 112 of this volume.

satisfied to remain there. In short, the better run firms are appreciating that a man in a misfit job means not merely a discouraged worker and perhaps a mis-spent life but also a definite money loss to them. Hence many firms are assuming the responsibility for intelligent vocational guidance.

The average foreman is just as incapable of human and efficient firing as of judicious hiring. The foreman usually has risen from the ranks and his view is correspondingly narrow, which means that his sense of justice is apt to be low and his sense of prejudice high. To preserve his own power, he is apt to retain favorites, and fire good men because he sees in them possible rivals. He often feels that he has to fire some one about every so often to keep the "Fear of God in their hearts." The effort to establish supervision of the foreman's acts, that will be close and intelligent enough to reduce effectively the excessive firing, will necessarily involve a supervision from the same intelligent source of all the personal relations of the foreman and the worker. To realize the humanizing gain that will result from bringing the greater sympathy and brains of the actual heads closer to the workers, one must realize that a surprisingly large percentage of labor difficulties are occasioned solely by misunderstandings which arise from the arbitrary acts of some autocrat foreman, and not by any fundamental conflict with the real heads of the concern. How great this gain is, is illustrated by a few cases, the like of which may be duplicated in thousands from our industrial experience. An Illinois manufacturer "became aware of the real facts too late when he discovered that a serious strike had grown out of the arbitrary enforcement by a foreman of a useless foreman-made rule that certain three doors must be kept closed." A high official of one of the largest business concerns in Philadelphia once said, "I have seen my foremen do things over and over again that were absolutely cruel." A large lace manufacturer told the secretary of the National Lace Weavers' Association that he had more strikes as a result of the arbitrary and senseless acts of foremen than from any other cause. The more progressive firms are realizing that allowing the foreman, way down the line, to formulate the hiring and firing policy of the firm is poor business.

Progress in this direction is only just beginning. Even the existing functionalized employment bureaus are recognized as being, "underpaid, under-manned, under-intelligenced, and under-

equipped." Among the great majority of firms, the choosing of help is still in the entire charge of the foremen of departments. In the canvass of the twelve firms lying along twenty squares of one street in the textile district of Philadelphia, eight left the hiring and firing absolutely to the foremen, and three followed the same policy with slight supervision by the superintendent, whenever the foremen's methods should *appear* inefficient. In the twelfth concern, the head of the firm did the hiring.

### 2. *The Methods of Training Employees*

The second general cause for an unnecessarily high labor turn-over is the general lack of effective training systems. With the simplification of work due to the introduction of machinery, we have been carried away by the apparent lack of need for training. In many, if not a majority of cases, the only training the employee secures is the chance to watch some one else. I know of one textile mill, which is representative of many, where the older weavers are given \$1.00 a month extra to "train" new weavers. Not only do accurate costs accounting methods point out that such a system means low-grade work, spoiled goods, insufficient wages, and reduced output; but accurate employment statistics show that the man on whom no effort has been expended to make him fit for his job, is apt to be dissatisfied and, therefore, a "rover." Here also high labor turn-over is causing industry to adopt devices that have a broader human application than the simple reduction of labor turn-over.

### 3. *Reduction of Fluctuations in Employment*

In the third place, a sincere effort to reduce the labor turn-over involves an effort to make the productive situation of a plant uniform or as nearly uniform as possible throughout the year, because "part-time" or "time-off" is one of the chief forces contributing to a high labor turn-over.

To the worker, unemployment is the most inhuman characteristic of industry. What famine and black plague were to the middle ages, so is unemployment to the modern industrial world.\* In view of the almost total lack of any definite knowledge on this subject, the figures of the New Jersey State Bureau of Statistics of

\* See Miss Van Kleeck's article on page 90 of this volume.

Labor and Industry, which show that New Jersey plants ran at 74 per cent of normal operating capacity in the prosperous year of 1912, may be taken as typical. Superficially, unemployment is a problem of irregularity in production. That irregularity in production is partly a question of distribution and partly a question of production. To the extent that the small purchasing power of those who spend, *i.e.*, the working classes, makes it take four days to use what we can make in three days, unemployment may be a question of distribution, of underconsumption. To the extent that this irregularity in production is due to seasons, to changes in style, and the decadence of certain industries, unemployment is a question of production, of management. Obviously the increase of enlightenment in management will call employers' attention more definitely to the many losses from unemployment, one of the greatest of which is the disorganization of the labor force. As the sense of this and parallel losses spreads, the narrow and fatalistic concept of the power of the individual manager over fluctuations in employment will pass away.

The future attitude of employers toward the question of the steadying of employment<sup>4</sup> and production is very well summed up in the following statement by a well-known firm which made efforts in that direction:

What we have accomplished in the direction of leveling the curve of seasonal work has been done chiefly through the selling end.

Our business in jewelers' boxes used to be extremely difficult because practically all of the output was made to order and work could seldom be started until May or June, and had to be completed well before Christmas. Our factory, therefore, used to be out of work from the middle of December up to the middle of May, and so seriously over-crowded from that time on that poor service was frequently given customers and our business considerably damaged. A few years ago we began to make earnest efforts to get box orders in earlier. After the first year or so of re-adjusting, we found our customers more than willing to help in this work so that today the majority of our orders reach us between the 1st of January and the 1st of June. This requires facilities for holding the goods until the date desired by the customer for shipping and of course ties up capital, but we are able to keep experienced workers busy the year through, are able to give almost perfect satisfaction in service to our customers, and through the consequent savings and increased business the cost of carrying the goods has been covered several times over.

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<sup>4</sup> See Mr. Cooke's article on "Scientific Management as a Solution of the Unemployment Problem," on page 146 of this volume.

One striking effect which went way beyond our expectations was the improvement in quality of our output, which under the old system suffered more than we realized through the work of untrained hands and the crowding and strain of the fall season.

Our line of Christmas specialties has been handled in the same manner, though an easier problem, because none of these goods are made to order. Designs for Christmas 1915 were chosen in July, 1914, then approved and laid out as to the way they should be put up, etc., so that the sample run could be ready by March, 1915. The goods are then sold for fall delivery and the stock manufactured during the first six months of the year.

We have found it possible once or twice to add to our line an item or two that could be made to fill in a gap in regular employment; for example, we introduced Christmas cards printed with steel die in order to keep our die-printing crew at work during a slack three months.

Again, we have made good progress by substituting stock items for specials. For example, certain goods of a standard type, ordered periodically by our sales end, were manufactured special as the calls came in—sometimes in dull times, but more often during a rush period. By selecting certain lines and manufacturing a sufficient stock during the dull months the situation has been greatly relieved.

The containers which are used for our merchandise were formerly made by us at different intervals, but under the new plan the entire quantity is manufactured during the first three months of the year. Many other moves of this sort tend toward further relief.

Our problems are undoubtedly easier than those of some other industries; however, we feel from our experience that if the advantages of regularizing employment became appreciated by the employer, some possible steps will suggest themselves and these will in turn further steps so that considerable improvement, if not a big cure, can be effected.

#### *4. Better Wages*

It does not seem possible to avoid the conclusion that one of the advantages necessarily resulting from the reduction of labor turn-over, will be that of better annual remuneration. If this does not come about through better rates of pay, it will come through the greater efficiency of workers who result from the better training systems; and through the steadier employment that will result from the attack on the regular fluctuations of employment. It is worth while to point out that one of the devices used by the Philadelphia firm, who reduced its turn-over in three years from 100 to 19 per cent, was a slightly higher scale of wages.

These are the chief internal organization methods used by individual firms to reduce excessive labor turn-over. Outside of their internal organization there is plenty of evidence that a new

attitude towards labor problems is coming about as the labor turn-over education spreads. One of the most pregnant of these bits of evidence is the formation in Boston, New York and Philadelphia of associations of employers for the discussion and interchange of experiences regarding employment problems.<sup>5</sup> One of the primary problems confronting these associations, in fact, the one which in some cases furnished the potent argument for the formation of such an association, was the problem of labor turn-over.

Another evidence of this significant tendency in modern industry is to be found in the work of Robert G. Valentine, of Boston.<sup>6</sup> Mr. Valentine makes for industrial and commercial plants a "human audit" that is comparable in every way to the physical and financial "audits" made by the majority of firms. These audits show countless ways by which firms are incompletely realizing on their human assets through sheer obtuseness in management, largely the result of an incomplete knowledge and analysis of the actual facts within their own plant.

How far these tendencies will carry us in the humanizing of industry, we cannot say. They may, however, be sufficient for justifying more optimism than is at times felt.

<sup>5</sup> See Mr. Bloomfield's article on "The New Profession of Handling Men," on page 121 of this volume.

<sup>6</sup> See article "The Human Audit" in *Harper's Weekly*, July 17, 1915.



## A NATIONAL SYSTEM OF LABOR EXCHANGES IN ITS RELATION TO INDUSTRIAL EFFICIENCY

BY JOHN B. ANDREWS,

Secretary, American Association for Labor Legislation.

"No one can today predict what the condition of the labor market will be at the conclusion of peace, how and within what period the flooding back of the soldiers to the workshops will be effected, what branches of industry will adapt themselves to the transition from war orders to peace orders most quickly and in the most extensive manner, and what rôle the influence of the seasons and the condition of foreign commerce will play therein." This was the calm statement made when in February, 1915, six months after the outbreak of the world war, a national conference of technical and employment experts met in Berlin, Germany. "The development by law of free employment offices is a problem for the solution of which measures must be taken even before the end of the war," was the declaration of all discerning men in technical circles in Germany as well as among those engaged in the administration of employment offices. "These measures, too," it was agreed, "should be taken as soon as possible in order that Germany may be better prepared for the violent fluctuations in the labor market which will occur at the termination of the war."

It was admitted that employment offices will properly fulfill their task only when they connect the demand with the supply in the entire labor market. In addition to this most important task it was agreed that they must create a basis for a reliable permanent census of the unemployed and must serve as a means of control of and as an auxiliary organization to a system of unemployment insurance. Moreover, the local organizations must be combined into district federations, and these, again, must be connected with a national central organization. And such an organization, it was declared, will make it possible to know the changing demand in the labor market and "to direct the shifting of the working forces which in our present economic system has become a necessity."

The hasty reader might infer from this that Germany has just

been awakened to the need of public employment offices. But, on the contrary, no other country has had wider experience with these institutions. No less than 323 local labor exchanges were in operation under public auspices in Germany at the outbreak of the war. The importance of the work was clearly recognized. To this conference in Berlin came representatives from the Imperial Department of the Interior, the Imperial Statistical Office, the Central Organization for Public Welfare Work, the Bureau for Social Politics, as well as the presidents of about forty central federations affiliated with the General Committee of the Trade Unions, and many employment office officials. All differences of opinion were set aside in order to achieve the great goal common to all, "the legal regulation and development on a large scale of the procuring of employment on the basis of self administration, under legal supervision, of all employment offices without exception." In other words, Germany recognized the necessity of welding together into a *national system* her scattered local labor exchanges, and the above principles for legal regulation proposed by the German Section of the International Association for Labor Legislation were unanimously adopted. "For the first time in many years," says the editor of *Soziale Praxis*, "the entire German organized labor world is here seen united and harmonious in favor of a great fundamental social reform, the successful fulfillment of which is in the highest interest of the public weal and is even a necessity in the interest of the welfare of the Empire and of the federal states."<sup>1</sup>

Great Britain, after a careful investigation of employment bureaus in other countries, established her national system of labor exchanges five years ago. Before the outbreak of the war there were in operation 430 local bureaus of the British system staffed by full time officers, with which were connected 1,066 local agencies for the administration of unemployment insurance.

As the following table indicates, the number of applications for employment, the number of vacancies notified by employers, and the number of vacancies filled, have gone almost steadily upward since the system was put in operation.

<sup>1</sup> *Soziale Praxis*, Vol. XXIV, Nos. 21 and 22.

## OPERATIONS OF BRITISH LABOR EXCHANGES, BY SPECIFIED MONTHS

Month	Applications for employment	Vacancies notified by employers	Vacancies filled
March, 1910.....	126,119	.....	20,395
March, 1911 <sup>1</sup> .....	142,382	47,811	37,711
March, 1912.....	178,317	72,650	55,650
March, 1913.....	209,901	95,862	68,783
March, 1914.....	222,204	99,089	74,578
March, 1915.....	213,464	137,908	99,188

<sup>1</sup> Five weeks.

The following table shows the usefulness of the exchanges for the first five years of their existence:

## OPERATIONS OF BRITISH LABOR EXCHANGES, BY YEARS

Year	Applications for employment	Vacancies notified by employers	Vacancies filled
1910 <sup>1</sup> .....	1,590,017	458,943	374,313
1911.....	2,010,113	886,242	719,043
1912.....	2,423,213	1,286,205	1,051,861
1913.....	2,739,480	1,158,391	874,575
1914.....	3,251,646	1,425,174	1,076,575

<sup>1</sup> Eleven months.

The percentage in 1914 of vacancies filled to vacancies notified was 76 per cent.

Both Germany and Great Britain, then, have made definite progress toward the organization of their labor markets on a national basis. What is the situation in America?

It is apparent to any one who knows anything about the subject that our labor market in the United States is unorganized, even in ordinary times, and that there is a tremendous waste of time and energy in the irregular and haphazard employment of workers. It is this very great social waste which we are just beginning to appreciate, but every method for overcoming it so far tried in America has been painfully inadequate.

The first and simplest method of bringing workmen and work together is by unsystematic individual search. A man not recommended for a position by a relative or friend often follows the easiest course, that which involves the least immediate expenditure of money and thought. He starts from home and drops in at every sign of "Help Wanted."

"Help Wanted," scrawled on a piece of cardboard, is the symbol of inefficiency in the organization of the labor market. The haphazard practice of tramping the streets in search of it is no method at all. It assures success neither to the idle worker in his search for work, nor to the employer in his search for labor. On the contrary, by its very lack of system, it needlessly swells the tide of unemployment, and through the footweary, discouraging tramping which it necessitates often leads to vagrancy and to crime.

It is impossible to reckon the cost to the community of this methodless method. Beyond the tremendous waste of time, there is the waste incurred by putting men into the wrong jobs. The law of chance decrees that, under such lack of care, misfits must be the rule; and society now permits the daily process of attempting to fit a round peg into a square hole.

A second common method of connecting employer and employee is through the medium of advertising. About 2,000 newspapers published in New York State carry every year some 800,000 columns of "Help Wanted" and "Situation Wanted" advertising, at a cost to employers and employees estimated at \$20,000,000—an expenditure of about \$5 for every worker in the state. If the money spent brought commensurate results, there would be less ground for complaint. But at present an employer advertises for help in several papers, because all the workers do not read the same paper. The employee lists the positions advertised, and then starts on the day's tramp. At one gate fifty or a hundred men may be waiting for a single job, while in other places a hundred employers may be waiting, each for a single employee. Unnecessary duplication of work and expense by both parties is apparent. In addition to the expense, newspaper advertising also possesses inherent possibilities of fraud—210 formal complaints of this particular sort have been investigated by the New York City Commissioner of Licenses in one year. It is difficult for the newspaper, even if it always tries, to detect misrepresentations, and misrepresentation breeds distrust. The victimized

employee very rarely seeks legal redress. Either he is ignorant of his rights, or the game is not worth the candle to a man who owns but one property, labor, upon the continuous sale of which he is dependent for existence.

Philanthropic employment bureaus fail mainly because of the taint of charity which justly or unjustly clings to them, and have become for the most part merely bureaus for placing the handicapped. Self-reliant workmen are inclined to shun such agencies, and employers do not generally apply there for efficient labor. Charging small fees or none at all, these offices are unable to compete with the more active private agencies which spend large sums of money developing clienteles among employers and employees. Trade union "day rooms" and offices maintained by employers' associations have to contend with mutual distrust, while their benefits are at best limited to one trade or industry.

Private employment agents, doing business for profit, have sprung up in large centers, no fewer than 800 of them being licensed in New York City alone. While many of these operate with a reasonable degree of efficiency, their general character is picturesquely if not elegantly indicated by their soubriquet, "employment shark." In the year ending May 1, 1913, the Commissioner of Licenses of the City of New York reported the investigation of 1,932 complaints against registered employment agents, resulting in nine convictions, the refunding of more than \$3,000 to victimized applicants and the revocation of thirteen licenses. Among the worst evils laid at the door of the private agencies are charging extortionate fees, "splitting fees" with employers who after a few days discharge a workman to make way for a new applicant with a new fee, collusion with immoral resorts, sending applicants to places where there is no work, and general misrepresentation of conditions.

Public employment bureaus, designed partly as an offset to the abuses of the private agencies, date in America from 1890, when Ohio authorized the first state system. Today there are between seventy and eighty such bureaus, maintained by twenty-three states and by a dozen or more municipalities. These offices (with one backward exception) charge no fee, maintain a neutral attitude in time of labor disturbances, and fill positions, according to the official reports, at a cost ranging from four cents to two dollars apiece. In Wisconsin, where there are four state exchanges well

organized on the most approved lines, the cost in 1911 was about thirty-five cents per position filled. In Illinois, during the twelve years 1900-1911, there were 589,084 applications for employment, 599,510 applications for workers and 512,424 positions filled. Illinois now appropriates over \$50,000 a year for direct support of its state labor exchanges, of which eight have already been established. Illinois, in 1915, in reorganizing its public employment exchanges, specifically provided for coöperation with employers with a view to encouraging regularization of industry.

Notwithstanding the work of a few, these public bureaus are still far from furnishing an adequate medium for the exchange of information on opportunities for employment. Fewer than half the states are represented. Many of the managers are political place-holders of worse than mediocre attainments. Some of the offices exist only on paper. A uniform method of record-keeping has yet to be adopted. Statistics are non-comparable, and frequently unreliable if not wholly valueless.<sup>2</sup> There is practically no interchange of information between various offices in a state or between states. In short, workmen are still undergoing want, hardship and discouragement even though often within easy reach of the work which would support them, if they knew where to find it.

Nor does the evil end there. Every one who has studied the problem realizes that method and system in putting men and opportunities for work in touch with each other will not of themselves prevent over-supply of labor or of jobs. They will do so no more than the cotton exchange guards against an over- or an under-supply of cotton. They will serve merely as levelers in the scales of labor supply and labor demand. Besides the unemployment which is due to the failure of men and jobs to find each other, there is much due to other causes which even the best system of employment exchanges would not directly eliminate.

But every one realizes that these other causes of unemployment cannot be successfully attacked without a basis in comprehensive, conscientiously collected information such as cannot be furnished by our present machinery for dealing with the problem. Under present methods there exists no automatic, cumulative means for collecting the facts. That results, of course, in exaggerated

<sup>2</sup>Mr. Solon De Leon furnishes an admirable and crushing analysis of existing statistics, in the *American Labor Legislation Review* for May, 1914.

statements in both directions. Our paucity of information on this complex and vital question has continued, even though labor problems in one form or another have taken the lead as subjects for legislation. Without a nation-wide system of labor exchanges, no basis can exist for anticipating in an accurate manner the ebbs and flows of the demand for labor. Without concentration of the information now collected and now held separately in thousands of separate organizations throughout the land, the possibility of looking into the future, or of profiting by the past, is out of the question.

It was a growing realization of the foregoing facts which inevitably led to the demand for a federal system of public employment bureaus. Such a system would cover the whole country. Without superseding either the state or the municipal exchanges already in existence, it would supplement and assist the work of both, dovetailing them with its own organization into an efficient whole. Country-wide coöperation and exchange of information would then be an accomplished fact instead of merely a hope. Statistics for the study of unemployment and for the progressive development of new tactics in the campaign against it would be co-extensive with the national boundaries and comparable between different parts of the nation. The regulation of private agencies would be a natural function of the federal bureaus, and the troublesome "interstate" problem would be solved by an interstate remedy. Finally, the greater resources at the disposal of the federal government would provide better facilities for carrying on the work than the states could provide, and would command the services of more able social engineers than are found in most of the state exchanges at present.

The lack of coöperation, the failure to interchange information of vital importance to workmen and employees, is one of the sad features of the public employment bureau situation at the present time. Here is a great field for the standardizing activities of a federal bureau. The scattered public agencies must be brought into full coöperation with the federal system and with one another. Information of industrial opportunities must no longer be locked within the four walls of each office, but must flow freely to other offices and to other states. In the hands of the proposed federal bureau more than in any other agency lies the opportunity of bringing order out of the present chaos. It could devise, in coöperation

with public employment officials, a standard record system, encourage its adoption by the various agencies, and assist them in installing it. It could encourage the adoption of a uniform method of doing business and of appraising results.

The suggestion of a national system of public employment offices for this, perhaps the most highly developed industrial nation of the world, comes not as an untried notion, but as a workable, proved possibility.

Several bills, looking to the establishment for the United States of a federal system of labor exchanges, were introduced in Congress in 1914. Action was deferred to permit the federal Industrial Relations Commission, which publicly announced that it had begun work upon the problem, to bring in a bill of its own. But the federal commission failed to do so at that or at the succeeding session of Congress. Meanwhile, under limited powers and in response to the growing public demand, the Department of Labor, in coöperation with the Department of Agriculture and the postal authorities, has extended its work and established the beginnings of a federal labor exchange system with branches in various cities through the country. But this development is admittedly inadequate. If the United States is to compare favorably with Germany and Great Britain in efforts to increase industrial efficiency through the establishment of a national system of labor exchanges, the importance of the work must be appropriately recognized by Congress.



## SCIENTIFIC MANAGEMENT AS A SOLUTION OF THE UNEMPLOYMENT PROBLEM

BY MORRIS LLEWELLYN COOKE,

Director, Department of Public Works, Philadelphia.

Thomas Carlyle in his *Latter Day Problems* has said that "the 'Organization of Labor' is the universal vital Problem of the world." This seems to summarize my interest in scientific management. I believe that through a genuine science of management we are going to get more of what Mr. Carlyle had in mind by "organization" than by any other grouping of industrial mechanisms or by any other system of industrial philosophy.

Management, of course, must be both efficient and scientific. But it must be democratic as well—ultimately every party at interest must have a fair share in its conduct. Just as surely it must be built essentially out of coöperation and not out of strife and loss. And more important than all, the principles upon which it rests must be grounded so deep in eternal justice and the fear of God as to afford a basis for an ever-expanding idealism.

It is not necessary for me to argue that unemployment as a social evil is not only always with us but is always widespread. It has been responsibly estimated that the average annual periods of unemployment are for instance: 25 per cent in the textile industries, as high as 40 per cent in the building trades, 6 to 12 weeks in the shoe industry and 20 to 30 per cent among those engaged in printing and binding.

A telling picture of the concrete results of unemployment in the lives of men and women is given in a letter from Miss Mary Van Kleeck of the Sage Foundation. The story of Rose, the little Italian, who earns her living making artificial flowers, and who had worked so many places she could not even remember the names, makes one eager to help to bring science to the ordering of this haphazard industrial régime. For weeks at a time Rose had no work when she needed it most. This happened again and again—each time apparently for a different reason. Her ups and downs

were without regard to the normal labor demand and in no way occasioned by her own efficiency or inefficiency.

We did not need Rose's testimony that "I am awfully scared they will lay me off. The worry makes my head ache so I cannot sleep nights" to know that the "fear of unemployment" is one of the worst—if not the worst—burdens carried by the working classes, and doubtless a very potent influence towards national inefficiency.

This industrial disturbance which we broadly characterize as unemployment is brought about by almost numberless different causes, important and trivial, known and unknown, operating both at home and abroad, both inside and outside the factory, and both regularly and spasmodically. Any effort to reduce the total amount of unemployment whether in the nation as a whole or in an industry or in the individual factory presupposes an analysis in which the effects of the several operating causes are clearly isolated for individual attack.

"Steady employment" can be made very largely a problem of the individual employer. It is true, of course, that the ebb and flow of immigration, fluctuations in the tariff, general trade booms and depressions, and such world cataclysms as the present war bring about unemployment. But my theory is that the problem of unemployment is a problem of *good* times rather than of *bad* times and that say 90 per cent of all the unemployment which makes men and women suffer and which demoralizes and degrades them can be eliminated by proper organization *within* our factory walls.

A good many manufacturers work on the theory that periods of employment or unemployment are "wished on" us or come largely as "Acts of God." So the stroke of lightning may be taken as an evidence of a Divine dispensation. But this does not prevent us from erecting lightning rods to guide this power back to Mother Earth in such a way that no harm is done. In the same spirit scientific management takes the hopeful view as to these interruptions in employment. We say that unemployment is something that must be reduced to a minimum—yes, removed from our industrial system.

William Ostwald, the great German scientist and philosopher, has pointed out that the change from a pseudo-science to a real science only comes when we begin to use the knowledge we have as to the present and the past to build a future which we then proceed

to make come true. The astronomer bases his predictions as to the future on the race-long accumulation of data. But in doing so he marks out the progress of events in which he has no part except that of the observer. In the science of industry, however, we humans have the power—if we can get that point of view—to write the formula for the future according as we see what will be for the benefit of our kind. God give us the light then to see this future in colors as glorious to the many as the past has been glorious for the few!

The principal bar to any large accomplishment in this field is our inherited fondness for things as they are. Walter Bagehot has said, "There are many persons to whom a new idea gives positive pain." In another place he has pointed out how honestly we have come by our dislike for change. Usage he describes as something which antedates law. In some parts of China even today land tenure without either ownership or leases is the rule. The ruler—call him emperor or president—theoretically at least, owns the land as well as the people. Of what use is a lease to a people that cannot read and that is without law? Usage alone gives the individual Chinaman his opportunity to till a certain piece of soil and thus to eke out his subsistence. In a community like that even the tendency to change becomes anti-social—a crime. If I were a Chinaman so situated and I saw one of my neighbors begin to tie his queue in a novel way, he would become my enemy and the enemy of my people. Could I be assured that if he made a minor change in this matter he might not change his ideas as to more important matters? Once recognize the possibility of change in one individual and it might become contagious. Then the fateful day eventually *might* come when I would be told to get off my land—yes, and in the absence of a lease and of law there would be nothing to do but to get off. And this is only a picture of how society at one time or another everywhere viewed change in the abstract. Bagehot has pointed out how necessary it was in the development of the ideas of nationality and community action for the race to pass through countless ages in which change was *taboo* in order that we might acquire the cohesiveness necessary for progress. So we all come honestly by our antipathy to change. Therefore we can afford to be very charitable to those who have difficulty in adjusting themselves to any new order. Perhaps we may today justly anticipate that progress among us will involve an ever-increasing rate of change.

The crux of that phase of the unemployment problem which I am discussing here is the acceptance on the part of the employer of the responsibility within certain definable limits to keep a *given number of men and women steadily occupied* and at *regular wages*. The outcome will be the same whether the employer strives for this result on account of a more or less altruistic interest in his employees or on account of those money-making considerations which appear to afford ample argument for it or because both of these motives actuate him.

The goal for a given establishment is a definite number of employees each working full time—without overtime—and at maximum wages and with no changes in the personnel. This 100 per cent result is not possible of achievement but is a good standard with which to compare such results as are attained.

Every industrial establishment should theoretically at least give itself a rating as to the number of men and women it employs. This figure will change from time to time and in a successful plant will constantly tend to go up. But neither additions nor subtractions from this number should be made without more thought than is usually given to it. After an industrial establishment has decided to make conscious effort to keep a full staff fully employed, to add to the regular number of employees without adequate reason may just as surely operate against accomplishing this desired result as it will to cut down the staff.

Again, employees must be allowed to earn full time, otherwise there is no special gain through keeping the full complement "employed"—except possibly in the periods of greatest general depression where our efforts are usually reduced to keeping the industrial ship afloat. (It has always been the custom in Philadelphia to lay off for the three winter months most of the day laborers employed by the Bureau of Highways. This year we kept them on even though they could make only three days a week. If we had not done this most of these men would have been compelled to go to the Emergency Relief for aid.)

Frequent changes in personnel—even when the total number of employees remains fairly stationary—is one cause of unemployment and constitutes perhaps the worst malady of American industry. The average employer in this country hires and discharges as many men in a year as he employs. When I first heard this state-

ment made by a national authority on the subject, Mr. E. M. Hopkins in charge of the Employment Bureau of the Curtis Publishing Company, it seemed to be an exaggeration. But taken the country over, the average man has to seek a new job once a year. In some trades the rate of change is even higher. I am informed that in the clothing industry the "hirings and firings" run from 150 to 250 per cent of the total number employed. A wonderful record of improvement in the matter of the labor turmoil is afforded by the experience of the firm of Joseph & Feiss, Cleveland, Ohio, during the last four years:

	<i>Standard Pay roll</i>	<i>New Hands</i>	<i>Per cent</i>
1910.....	1,044	1,570	150
1911.....	951	807	85
1912.....	887	663	75
1913.....	854	569	66
1914.....	825	290	35

Of this I am convinced that any employer will be surprised if he takes the trouble to get definite figures so as to see how many men he actually put on in any one year in comparison with the number he steadily employed.

This very frequency with which the average American changes his employer seems to have suggested the undue importance as mitigating agencies which has been accorded to labor exchanges—municipal, state and federal. We need such exchanges undoubtedly and we want them to be the most effective in the world. But at best they represent only the beginning of the attack on the problem.

Again the statement is frequently made that it is up to the government—federal, state and municipal—to provide work for the unemployed, especially in times of great industrial depression. Only a little figuring as to the amounts of money available for public improvements will convince you that at best government work can only be used to ease off the worst of the distress at the peak of unemployment. And as long as we depend upon the statistics furnished by labor unions and the charity organization societies, we will never know when the peak occurs.

Where the work of an establishment is at all complex, it hardly ever happens that we have for each employee just the right amount of work of the kind he or she is best qualified to perform—there is apt to be either a feast or a famine. Too frequently this condition

is allowed to cause a break in employment. In fact this is probably the principal cause of lost time for those having so-called regular employment. Under scientific management this great cause of economic waste can be cut out—largely through teaching employees how to do more than one thing and at least reasonably well.

Our industrial establishments are constantly hiring people in one department and laying them off in another. In the lower grades this can be much reduced simply by having one employing agency for the entire establishment. In the more skilled operations a planning room and a well-developed system of functional foremanship<sup>1</sup> (the foremen—or some of them acting as coaches or teachers) are required before it is possible to teach people to do new things quickly.

In front of a large clothing house in Philadelphia there is a bulletin board on which the concern is constantly making known its wants as to workmen and workwomen. It recently read:

Ticket girls	Feller Hands
Sewers	Canvas Basters
Girls	Pressers
Edge Basters	

A large hosiery plant in Kensington has the following signs hanging in the doorway ready to insert in the "Help Wanted" sign:

Examiners	Pairers	Girls
Welters	Loopers	Winders
Boarders	Folders	Knitters
Menders	Toppers	Boys

The head of this mill was recently asked whether they ever used an excess of one kind of workers to do temporarily another simpler grade of work and the answer was "No." I am not familiar with either the clothing or hosiery industries but I do not have to know much about them to know that establishments advertising in this way for "help" are not scientifically managed—indeed they are pretty helpless. Obviously all the operations called for on this schedule are so simple as not to require any segregation by trades. Under even a relatively crude type of factory management it should be possible to teach workpeople of average ability in a very few days—if not in a very few hours—to perform any of these operations.

<sup>1</sup> Fully described by Mr. Taylor in *Shop Management* published by Harper Brothers.

To advertise for such detailed industrial ability is really ludicrous judged by the every day assumptions of scientific management.

M. Freminville, a distinguished French metallurgist and manufacturer, has stated that the most remarkable thing he had seen on a recent prolonged visit to this country was the way in which at the Plimpton Press, Norwood, Mass., the management had taught the women workers especially to do two and three different operations in addition to what they considered their several specialities. Mr. A. E. Barter, superintendent of this plant, wrote to me some time ago in regard to this:

Many of our girls know how to operate three different machines and are expert at one or more of the manual operations, such as pasting, gathering, hand-folding, gold laying, etc. That they have this knowledge is due to the fact that scientific management has

*First:*

Demonstrated the advantage both to the firm and employees of training workers to do more than one kind of work.

*Second:*

Made it possible to select employees who can learn to do the different kinds of work efficiently.

*Third:*

Furnished facilities for training the people in the shortest time and with the least effort.

*Fourth:*

Furnished an incentive for the worker. This incentive may be either financial or the opportunity for advancement or both.

With these selected and trained workers, with a normal amount of work, our regular employees will have practically no lost time even during the slack season and their pay should average from 20 per cent to 30 per cent more than under the old system. Workers properly taught soon become bonus earners. Having earned bonus on one kind of work they "get the habit" and when put at other work are not satisfied until they can earn bonus on the new job.

The training of workers to do several kinds of work efficiently, the central control of the work and good routing make it possible.

- A To do a certain amount of work with fewer employees.
- B Reduce cost.
- C Give workers a higher wage.
- D Give workers more steady employment.
- E What is, perhaps, most important of all, it stimulates and develops the worker.

There can be no question but that without scientific management we could

not have trained the workers to do the different kinds of work and they would not have had as regular employment.

A convenient mechanism which assists in this work is an expense charge symbol which we call "retainers." In case we have a high-priced employee and give him work of a somewhat lower grade than that which he is accustomed to perform, our cost-keeping system permits us to charge the excess up to "retainers," which latter is then spread as a general business expense over the whole product. We use the same accounting device for taking care of the superannuated employees who are no longer able to compete in the matter of output but the question of whose discharge cannot be considered.

In Miss Van Kleeck's book *Women in the Bookbinding Trade* is given a schedule of advertisements which were printed in the *New York World* from July 1, 1908 to June 30, 1909, a period of one year, in which those in charge of these trades in New York City advertised for 1,064 people. Especially interesting is the fact that they advertised for 26 forewomen. During this same year I doubt very much if there was a single advertisement for help placed by any concern operating under anything approximating scientific management and I am quite sure that during the entire history of the movement no one has ever advertised for a foreman or a forewoman. Our methods are so different that those trained in the school of thumb-rule and personal opinion make very poor leaders in an establishment where scientifically determined facts are the guiding stars. Advertising for workpeople is usually—almost invariably—an indication of poor management.

Among the other causes of unemployment which are more or less directly caused by the individual employer (or the effect of which may be almost fully counteracted by the efforts of the individual employer) some of course operate entirely outside the factory such as:

#### 1. *Seasonal demand*

a. Calendars for instance are usually wanted for delivery in December. It is customary largely to increase the finishing room staff beginning late in the summer. Four girls put on for one month in December require four times as much room as one girl put on September first and four times the teaching. A minimum of planning and routing on this class of work has proven that so much of it can be done during the late spring, summer, and early fall, that very little increase in the force is absolutely necessary.

b. Again the demand for shoes is very largely a question of



seasons. Printed as an appendix to this paper is a very remarkable memorandum prepared for me by a splendidly managed shoe manufacturing concern doing an annual business of somewhere around \$15,000,000 in which are summarized the results of ten years of study of the unemployment problem. As a result of this work they have more than one plant where the daily output has not varied by more than one per cent over a period of several years.

c. School books are usually required in late August and September. Under scientific management one factory has worked out arrangements with its customers and planned its manufacturing so that nearly all overtime in the so-called "rush season" has been cut out. Formerly a large part of the employees worked until 10 p. m. during the six hottest weeks of the year.

## 2. *Intermittent character of work*

a. The work of stevedores incident to arrival and departure of vessels. In work of this kind a central agency acting for several different companies would tend to lessen the necessary periods of unemployment—perhaps to almost remove them.

b. The mailing of monthly publications is another example of this class of work. Our largest periodical publishing house in Philadelphia has only recently put a stop to laying off its mailers once a month by finding other things for them to do when not actually engaged in mailing.

## 3. *Rise and fall in demand due to changes in style*

a. The narrow skirts of a season or two past threw thousands of women out of work. From the standpoint of scientific management this great change and its effect upon the labor situation should have been foreseen, and something planned by those leading this industrial army whereby the great distress caused by the change could have been avoided.

b. One shoe concern maintains four men on the road all the time,—salesmen who do not sell,—in order to get the earliest possible advice as to changes in style and demand.

## 4. *Inventions of new machines*

a. One of the most enlightened labor leaders and most expert machine type-setters in the country told me that he walked the streets for nearly a year after the invention of the type-setting

machine, peddling groceries and not always making \$10 a week. This was before someone waked up to the fact that having been a good hand type-setter, he could probably be taught to be a good linotype operator.

The following causes operate largely within the industrial establishment itself:

1. *Carrying a larger number of employees on the payroll than are actually needed*

- a. In the Kensington textile district of Philadelphia this appears to be the rule. An employer having a mill which running entirely full might require 500 hands will carry say 450 on the payroll but give work actually to 400. This means that on the average 50 are kept reporting for work and are told to come back tomorrow or next week. Since the most valuable hands would quit if they were treated this way, it usually happens that it is the least efficient and lowest paid men who get the unsteady work, thus adding to their demoralization. I am informed that this intermittence of employment is so usual that in this district it has had the effect of making hundreds of men living there really incapable of continuous work. After they have worked "steady" for a week or a month they lay off of their own accord because they can't stand the strain. In other textile mills while they start the same number of men to work in the morning the closing hour is advanced to four o'clock, to three o'clock or even earlier, according to the amount of work on hand. Of course these two arrangements are essentially the same and in the end cause the same amount of unemployment. These practices are followed in good times and bad. The Secretary of our local Lace Weavers' Union (one of the most reliable labor men we have met) reports that part time employment is so permanently the rule among the lace mills, that in his opinion the average lace worker has not made ten weeks on full time in the last five years. This is, of course, in large measure due to the attempt of the employers to hold as large a labor reserve as possible. The conditions which led up to the Lawrence strike were very largely the same except that in that instance it was a whole town where more men and women were housed and held than could possibly be given work under any set of conditions which might reasonably be expected to occur. Our wide-open immigration policy frequently gives rise to the same condition on a national scale.

2. *Frequent changes in standard production, according to volume of orders in sight*

a. A remarkable instance of this is an eastern locomotive building concern which on two occasions within the last ten years has laid off more than 75 per cent of its force almost over night. On January 1, 1908, this concern employed over 19,000 men and six weeks later had less than 8,000 working half-time. No industrial community can absorb such peaks of labor supply, no matter how efficiently it may be organized. I never understood how this could occur until I was recently told that for years this concern has regulated the number of its employees by the total volume of business booked so many weeks ahead. Running a manufacturing plant of the size of this one is too big a job for such simple arithmetical rules. Such methods smack too much of acquiescence in what is handed to you—too little of that type of optimism which as President Wilson says “makes an opportunity out of every lemon.” An army of 19,000 men has a right to demand more resourcefulness on the part of those in command. The time will come when public opinion will force resignations from the inefficient leaders of an industrial army just as it does from those who fail the nation in military enterprises.

3. *Lack of balance between different manufacturing departments*

a. This is altogether a problem in scientific control both of selling and manufacturing.

4. *Lack of stock*

a. Mr. Taylor developed fully twenty years ago what has since become the standardized and fairly uniform practice of dozens of establishments in the matter of purchasing, receipt and storage of materials. Delays due to no stock or the wrong stock have been practically eliminated.

5. *Stock taking*

a. I am constantly hearing of concerns in all parts of the country which stop all operation to take an inventory. Most of our Philadelphia textile mills lose from one to two weeks a year taking stock. One lace mill is now shut down for twelve days taking stock. One cannot help being reminded of Lincoln's story of the steamboat

which had to stop every time it blew its whistle. Stock taking in this sense should be, of course, a thing of the past.

6. *Lay off because employee has earned more through piece rate than regular weekly wage*

a. This is a good example of those insidious and below the surface causes of unemployment, of which there are many. If Molly Brown happens to be rated as a nine dollar a week girl and also happens by Thursday night to have earned \$9.30 through having what are called "fat" jobs, she is frequently laid off by the forelady. Or if the necessities of the work allow a so-called "\$8 a week girl" to earn \$16 in one week, she is very apt to be told to stay home the next week so that for the two weeks she will average her regular wage. This is the means frequently taken by those in charge to maintain respect for inequitable piece rates. I have never known a factory using piece rates where this device in some form is not practiced. The only relief is a scientifically determined wage scale.

Then of course there are many causes of unemployment for which the employee is principally or altogether responsible, such as:

1. *Coming in late*

a. By issuing late slips and making everyone coming in late give a full, even if inadequate reason, this can be gradually cut out. Raising the general efficiency of the individual employee has a beneficial effect.

2. *Illness*

a. High wages and the type of discipline that goes with scientific management invariably improve the health standard. A regularly employed shop nurse can help a great deal in this matter. One shoe concern some years ago figured the total expenses of its shop nurse at 67 cents per employee. Concerns too small to have individual shop nurses can share one, each paying a prorated share of the expense. Thus, in Walpole, Mass., I know of four smaller concerns which hire a nurse in common.

b. A "booze fighter" coming in on Monday and about 9 a. m. determining that the factory is no place for him can usually be put back to work by the nurse after a good dose of aromatic spirits of ammonia. The man gets his wages, his family is spared the dis-

grace of his return and the employer keeps his machines going. Again an employee who coughs too regularly will soon hear from the nurse.

3. *Home conditions*

a. A good social worker can keep many men at work by straightening out all sorts of home tangles, which through her experience she is able to handle with precision and efficiency.

4. *Incompatibility as between two employees. Sometimes a foreman is concerned*

-a. The establishment of an employment bureau in charge of all "hiring and firing" is the only logical solution of these complexities. One disciplinarian for the entire establishment as advocated by Mr. Taylor soon does away with the necessity for much disciplining. Captain Benson, just made the operating head of the U. S. Navy, when he was Commandant of the Philadelphia Navy Yard, insisted that the case of every man who voluntarily left the service of the yard should be investigated. He held that it was almost an insult to have a man willing to voluntarily retire from the service of Uncle Sam. Such leavings were usually the result of friction or misunderstandings.

A good deal of money may be required, if you are going to be able to really make an impression on this problem. You must be ready every once in a while to pay for spoiled goods (I hear some one saying "We have spoiled goods anyhow!") because obviously if you are going to teach people to do new things they are not going to be as adept when they start as they will be a little later on. And if you are going to fine people for spoiled work while you are teaching them you will not be a very popular teacher. Again, you must be ready to put some capital into storing work ahead. This is true for instance in the printing of school books where the principal demand even for standard works covers only a few weeks in the late summer. It is usually cheaper to pay a little interest on outlays for materials and labor and spread out the work and thus steady employment than it is to have everybody working feverishly—and at overtime wages—at the peak of the demand. It takes money as well as effort to hold people worth holding. But if you are going to make a "good thing" of educating people in your plant,

you must hold them after they are educated. It is a pretty expensive game to teach the same thing over and over to different people.

This fact has been so thoroughly accepted by the largest employers in and around Boston, Mass., that for several years past they have been supporting in larger and larger numbers a society which has for its object the study of the problem of unemployment. Recently similar organizations have been started in New York and Philadelphia.

Perhaps our crude methods of determining costs should be referred to as a factor in this unemployment situation. My friend, Mr. Henry L. Gantt, one of the very ablest of the exponents of scientific management, has recently said on this point: "In the past it has been pretty common practice to make the product of a factory at a portion of its capacity bear the whole expense of the factory." Mr. Gantt offers the theory that the amount of expense to be borne by the product should bear the same ratio to the total normal operating expense, as the product in question bears to the normal product, and that the expense of maintaining the idle portion of the plant ready to run is a business expense not chargeable to the product made. As he says: "This latter expense is really a deduction from profits, and shows that we may have a serious loss on account of having too much plant, *as well as* on account of not operating our plant economically." If it was possible to estimate, it would be interesting to know the amount of idleness which might result from a false concept such as that which Mr. Gantt is combating. Again, general trade price schedules in some industries and especially in some localities operate so as to produce rather than diminish unemployment.

We are told that labor unions are opposed to work-people being taught to do more than one thing—or perhaps only that they discourage it. I have gone into this with a number of labor leaders and I am sure that there is nothing in the labor union attitude which is essentially antagonistic to the practice. The ground for this feeling is that the unions—perfectly properly it seems to me—have sought to guard against the use of this scheme by the unscrupulous to lower wages permanently, either for individuals or for groups.

How many industrial plants with which you are acquainted keep any record of the annual earnings of employees? Yet this

is the *one vital question* that is supposed to animate you and me almost more than all others put together. It seems to me that any proper attitude toward the individual employee will almost inevitably lead to the voluntary and at least tentative establishment of a minimum annual compensation for each worker. If this is done a quarterly report as to wages actually earned—a quarterly payroll in which actual earnings for the period are contrasted with a quarter of the projected annual pay—will be a convenient device. The use of such an employees' record card is another illustration of how scientific management does everything in its power to avoid herding employees, or putting them all on the same level; on the contrary we try to individualize them. We *attempt* at least to establish in the factory the relations with which we are happily as a nation so familiar in the home.

One of the most efficient safeguards of proper conditions in a factory is publicity. And there is no place where publicity is needed more than in this matter of the payroll. We can afford in America to pay men and women what they are worth. It is good business to do this. If some one else wants to pay any one of them more than he or she is worth, it does you no harm to facilitate it. Being an economically unsound practice, it does not happen often. So I think it is altogether in the line of progress that some concerns are opening their payrolls freely to those who may have a proper interest in them. The fullest possible understanding in these matters tends toward industrial stability.

A very primitive philosophy of salesmanship seems to be at the bottom of a good deal of unemployment. Of genuine vision as to finding markets and distributing product we have had almost none. Mr. Farrell of the Steel Corporation, Mr. Ford of automobile fame, and the shoe manufacturing concern to which I have before referred suggest the future. The *selling end* for some reason has had too much authority in most concerns as compared to that given to the manufacturing end. If orders so accumulate that normal production in a given period must be increased by half, the selling force expects the manufacturing end to be resourceful enough to cope with the situation. Almost a minimum of effort, however, is made by the salesmen of most establishments to bring in orders so that the peaks of demand for deliveries are evened off and manufacturing thereby assisted. Salesmanship has too fre-

quently meant only selling to unwilling buyers or securing undue margins of profit. No great business of course can be built on such policies.

Attention should also be called to the fact that the separation of the selling and manufacturing ends of a business makes for unemployment. Time after time, Mr. J. H. Willits of the University of Pennsylvania, who is studying this unemployment problem for the City of Philadelphia, has been told by textile men in Philadelphia, "We are not sellers, we are the manufacturers. That's enough for one concern." So long as the manufacturer is content to sit and take whatever orders are handed him and whenever they choose to come, he is disregarding the power he has to regularize production by regularizing demand, or at least planning ahead against known irregularities in demand, so that production at least shall be regular. Moreover, where the manufacturer has placed the selling all in the hands of one agent, that agent selling the goods under his own brand, not the manufacturer's, comes to represent his entire market. The agent, therefore, dominates the manufacturer. Agents in this position "lay down" when hard times appear. As a result the production curves of firms who have deeded away the control of their selling, drop much more quickly when hard times occur, go down farther and come up more slowly.

This lost control of the selling contributes to irregular employment in yet another way. Since the agent sells under his own brand, not the manufacturer's brand, he can, without inconvenience to himself divert the orders that he is giving to Manufacturer A to Manufacturer B. Manufacturer A's whole trade is gone and serious unemployment results before he can readjust himself.

The manufacturer who "farms out" his selling does not have his ear to the ground. He is slow to readjust himself to changes in demand. For example, the hosiery market in the last five years has come to demand less and less heavy cotton goods and more and more thin, imitation silk, or silk goods. The manufacturers who are in touch with the market recognize this as a permanent change in demand and have adapted themselves to it. Many who deal through selling agents are still making thick goods. Unemployment must result from any such miscalculation of the market.

Especially in such periods of business depression as those through which we have just been passing the average salesman



becomes almost a fatalist and really assists to make the situation worse. Perhaps if we had a keener sense of responsibility to keep our people employed in good times as well as bad, we might have keener wits to bring to bear on the problem of finding things for them to do. Surely the growing size of our industrial units and the widening sphere of industrial coöperation suggest a great field for this kind of industrial adventure.

Such experience as I have had suggests definitely that a decided business advantage accrues to those who pay high wages and give continuous employment. To make such policies pay dividends, however, requires men not only leaders with brains and vision but men to whom effort and struggle are inseparable factors of any successful industrial régime.

I cannot leave you however with the impression that scientific management would lose interest in these measures for the doing away with unemployment even if they did not promise larger and more steady profits. In the long run these measures will neither be adopted nor rejected on considerations affecting dividends or wages, but on the one eternal question—are they founded in fair dealing? All the moves on the industrial chess board are not dictated by money considerations. Even the so-called “economic man” is in these days laying on some human qualities. Indeed we are beginning to realize that there are possibilities for romance even in our factories. And both the employers and the employed are more and more going to become interested in this quest as science and mutuality of interest point the way.

## APPENDIX A

### NOTES REGARDING UNEMPLOYMENT IN THE BOOT AND SHOE MANUFACTURING INDUSTRY

#### I. UNEMPLOYMENT

Resulting from:

- A. Seasonal demand for product where employees are laid off and work on short time for a considerable period.

Notes: In the majority of shoe factories, particularly in the large shoe centers, this causes shoe workers to be unemployed for periods ranging from eight to sixteen weeks per annum; in some cases more than this. Many of the employees are laid off entirely but more often are obliged to work on very short time and at greatly reduced wages.

*How Improved:*

1. By education of distributors to a realization that in the long run this lost time has to be paid for in the product and by getting their coöperation with this Company by working on monthly estimates, put in at the beginning of the season. In busy periods customers who order above their previous estimates are cut down on deliveries in favor of customers whose estimates are not overrun. Customers are not held strictly to monthly estimates, but failure to follow them is regarded as a sales problem and is freely discussed.
  2. By the manufacture of special goods, made up without orders and sold through a special department created for that purpose. This department sells goods only when allotted to it and sells them through special distributing channels, giving special values and special terms.
  3. By distributing through both wholesale and large retail trade whose deliveries come at different periods.
- B. Frequent changes in standard daily production policy of factories, according to volume of orders in sight.

Notes: Many factories have no standard daily production basis, but change frequently, taking on or laying off help as needed. Roughly estimated, this causes unemployment of from two to four weeks per annum; in many cases much more.

*How Improved:*

1. By adopting and holding absolutely to a uniform standard daily production basis for each factory. Many of our factories have run for periods of several years, putting into the factory each day a production varying not over one per cent.
2. When orders do not in a monthly period or block equal the factory capacity, by filling in with special stock goods in small quantities, to be distributed through the special department previously mentioned. (See 1-A-Item 3.)
3. When goods needed to fill monthly delivery blocks are necessary, by asking distributors to send in orders on staples to fill shortages.

## II. LOST TIME OF EMPLOYEES THROUGH DAILY AND HOURLY INTERRUPTIONS

*Resulting from:*

- A. Employees coming late; lost time inconsiderable.

*How Improved:*

1. By "In Late Pass System," a proper investigation by foreman, and discipline where needed.
- B. Employee going out or being laid off early, due to lack of work or stock. (Estimates lost time two to five weeks.)

*How Improved:*

1. By organizing material purchasing and supply system, based on pre-determined sheet system, which gives purchasing Departments ample time to purchase all material to exactly meet daily requirements, and to know absolutely when goods must be delivered in the various departments to meet the product in which this material will be needed.
  2. By adopting a pre-determined standard daily production and by holding rigidly to it, foremen are enabled to compute accurately the number of employees needed on each job.
  3. Pre-determination of employees needed on each operation is facilitated by fact that all work is piece work, based on standard average production of operation.
- C. Lost time due to fluctuation on special operations or in special departments, due to variation in the class of product. Estimated lost time one-half week. Estimate ten per cent of employees lost five hours a week, fifty weeks a year, equal one-half week.

*How Improved:*

1. By system of routing work into factories, not only uniformly in pairs per day, but also uniformly in pairs per day in certain types of product, such as Patent Leather Shoes, Bluchers, Tan Calf, Button Boots, etc. Where production on these items varies, whole operations or departments may work under badly fluctuating loads. By routing such types of work into the factory at a uniform rate per day for pre-determined periods these operations are given a steady production, as well as the operations through which the total production passes.

There are many other ways similar to the above by which unemployment problems on special operations or departments can be wholly or partially solved. By keeping constantly in mind the necessity for steady employment it is usually possible to bring about good, or reasonably good conditions.

To secure vacations for employees the entire business is shut down for the Fourth of July week, giving employees an opportunity to get rested just before the hot weather.

June and November are our most difficult months. We formerly closed four days in June and four days in November for stock taking. This was discontinued several years ago. Except for this inventory period there have been only one or two seasons in ten years when factories have been closed, and then only for one- to four-day periods.

## SIMPLIFIED COST ACCOUNTING FOR MANUFACTURERS

BY WALTER B. PALMER,

Special Agent, United States Bureau of Foreign and Domestic Commerce.

The object of conducting business is to secure profits. Nothing that relates to manufacturing is of more importance than "costing." Efficiency rules may be applied in an excellently equipped factory, but, unless the proprietor has an adequate cost-finding system, he is liable to suffer financial loss. If he does not know, with a close degree of accuracy, what the different articles he manufactures have cost, and at what prices he can afford to sell them, he is not in a position to meet competition intelligently, and he invites business disaster. Under conditions as they existed formerly, he may have been satisfied with the profit earned on his whole line of products, as shown by his annual balance sheet, but in these days there is the keenest competition in almost every line of manufacturing, and the survival of the fittest is the inexorable law of the business world. Even if a manufacturer is satisfied with his yearly profit, which his balance sheet shows, he should know on which particular products he is making the most profit, and on which he is making only a narrow margin of profit or losing money. Intelligent costing would enable him to distinguish between the profits on different products, to discontinue the manufacture of products sold at a loss, to limit the sales of products on a small margin of profit, and to give more attention to the manufacture and marketing of products on which the largest profits are realized.

Cost accounting is especially important for manufacturers with small or comparatively small capital, in order that they may meet the severe competition of those who manufacture on an extensive scale. As a rule, the large manufacturers have, not only the most improved machinery and most efficient methods of production, but also very accurate cost-finding systems.

The comparatively small manufacturers have not been so slow in equipping their factories with up-to-date machinery and in adopting efficiency rules as they have been in planning a system by which they could know the actual costs of their different units of produc-

tion. Any investigation of this matter which may be made will show that an amazing number of American manufacturers have practically no costing system or only the crudest sorts of systems.

Most manufacturers know the cost of materials and the direct labor cost for each unit of production, but do not intelligently distribute the general expense, or "burden," or as it is commonly termed the "overhead." Many of them add to the material and labor cost for each unit what they think, judging from past experience, the charge for overhead should be, and fix prices accordingly, but if they manufacture any variety of products, such guess work will surely lead to a diminution of profit or to financial loss.

In recent years the profession of cost accounting has developed, but the small manufacturers, constituting much the larger number, have been much more backward than the large producers in adopting the methods of this branch of efficiency. They complain of the fierceness of competition, yet do not avail themselves of a costing system which would protect them against selling at a loss and insure larger profits. Perhaps the principal reason for this backwardness on the part of the small manufacturers is that they think they cannot afford to pay the fees which are charged by efficiency experts for installing cost accounting systems. A simple, inexpensive and yet accurate costing system is one of the crying needs of the small manufacturers today. Regardless of the expense of the installation of a scientific system by professional cost accountants, some of the systems are so complicated as to preclude their general use, because they are beyond the grasp of the ordinary small manufacturer.

Many small manufacturers employ as bookkeepers men, and often girls, whose accounting experience is so limited that they can scarcely prepare a profit and loss statement or an annual balance sheet, and who would be utterly unable to figure out an elaborate system of costing. And yet, simple, practicable systems can be adopted which come within the comprehension of inexperienced bookkeepers, and by means of which a satisfactory knowledge of the costs of different products can be obtained.

There are two elements of cost, raw materials and direct labor, which can be ascertained for different units with close accuracy, and these are usually the largest elements. Almost any manufacturer knows just how much raw material is used in any unit, and knows the cost of the direct labor. If he pays his employees on the piece

price basis, he knows the cost of the direct labor per unit exactly. If the direct labor, or part of it, is paid on the time rate basis he generally knows, from records of production, the average time required by his employees to produce a certain unit. Knowing the cost for materials and for direct labor, the problem is to find the proper burden for general expenses to apportion to each different unit. This is the great stumbling block in the way of an incredible number of manufacturers.

There are three systems of costing, all of them simple, which are more or less used. They may be designated the quantity method, the direct labor method and the prime cost method.

### *The Quantity Method*

By this method the total general expense during the preceding business period, that is all expense except for raw materials and direct labor, is divided by the number of units produced, and the quotient is added to the cost of materials and direct labor for each unit. This may be expressed as follows:

$$\frac{\text{Burden, last period}}{\text{Number of units produced}} = \text{Amount of burden per unit.}$$

If, for instance, during the last period the entire cost of manufacturing and selling were \$100,000, and the raw materials cost \$50,000, and the direct labor \$30,000, the burden amounted to \$20,000. If, therefore, 10,000 units were produced during that period, the burden for each would be \$2. Of course the amount for raw materials used in the computation must be the amount actually used during the last business period, and not the amount purchased, which may be more or less, and this requires that there should be inventories of raw materials at the beginning and end of the period. The amount for raw materials, that is materials used in the unit, should be kept distinct from factory supplies.

This method of costing is the simplest of all methods, and where only one kind of goods is manufactured it is the most accurate of all systems. A concern that manufactures only one kind of typewriter, for instance, would not need a more perfect system, but obviously this method is very defective if applied in a factory where goods of varying values are produced.

*The Direct Labor Method*

By this method the burden charge is made on the basis of the cost of the direct labor for the unit, in the proportion of the total cost of direct labor to the total amount of burden during the preceding period. This may be expressed as follows:

$$\frac{\text{Burden, last period}}{\text{Direct labor payroll}} = \text{Per cent of burden per unit.}$$

If during the last period the total direct labor cost amounted to \$30,000, and the burden to \$20,000, a charge of 66.67 per cent of the direct labor cost of the unit should be made for burden, that is should be added to the cost of materials and direct labor for the unit.

Where units are produced which differ in labor cost, this method is much more accurate than the quantity method, but it is defective where raw materials of different values are used in different units, for the reason that under it the more expensive grades of goods would not carry their proper proportion of burden.

*The Prime Cost Method*

By prime cost is meant the sum of the cost of raw materials and of direct labor. By this method the burden charge is made on the basis of the sum of the cost of raw materials and direct labor for the unit, in the proportion of the total cost of raw materials and direct labor to the total amount of burden during the preceding period. This may be expressed as follows:

$$\frac{\text{Burden, last period}}{\text{Raw materials plus direct labor payroll}} = \text{Per cent of burden per unit.}$$

If during the last period the cost of raw materials amounted to \$50,000, the cost of direct labor to \$30,000, a total of \$80,000, and the burden amounted to \$20,000, a charge of 25 per cent ( $\$20,000 \div \$80,000$ ) of the prime cost of the unit would be made for the burden, that is should be added to the prime cost.

This method provides for the distribution of the burden on the unit much more accurately than the quantity method, where materials of different values are used in different units, or where more labor is employed on some units than on others; and this method is more accurate than the direct labor method, where more labor is employed on some units than on others. In costing by any method a charge should be made against the cost of the unit to cover the average loss from waste and seconds.

Any of the three methods which have been described are easy of application, even by clerks who have little accounting experience. Another method is, however, recommended as more accurate and nearly as simple. For want of a better designation, it may be termed

### *The Dual Method*

The prime cost method is accurate for computing the burden on units which vary in the cost of materials and the cost of labor only when during the last business period the value of the products equalled the amount of the net sales. There would be an inaccuracy if the net sales amounted to more or less than the production, because the burden for the cost to sell should be computed on the amount of the net sales and not on the production.

By the dual method the ratio of burden for the unit is computed on the prime cost, during the preceding period, for indirect labor and for factory expense, because these portions of the burden are related to the amount of the production, but the selling expense is computed not on the amount of production but on the amount of the net sales. The ratio of burden for administrative expense is also computed on the amount of net sales as the base, because administrative expense is perhaps more nearly related to the amount of net sales than to the value of the production, though this may differ in different industries.

If, for example, the expenses during the last period were \$50,000 for raw materials, \$30,000 for direct labor, \$4,000 for indirect labor, \$3,000 for factory expense, \$6,000 for administrative expense, and \$7,000 for selling expense, making a total of \$100,000, but if the net sales amounted to \$110,000, the percentage of burden for the unit would be computed as shown in the following illustration:

Expenses, last period		Per cent of burden for unit
Raw materials	\$50,000	
Direct labor	30,000	
	<hr/>	
Prime cost	80,000	
Indirect labor	4,000	5.00 (\$4,000 ÷ \$80,000)
Factory expense	3,000	3.75 (\$3,000 ÷ \$80,000)
Administrative expense	6,000	5.45 (\$6,000 ÷ \$110,000)
Selling expense	7,000	6.36 (\$7,000 ÷ \$110,000)
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Total	100,000	
	<hr/>	
Net sales	110,000	



These percentages are used to find the burden for a unit which is intended to be sold at \$10, for instance, and the cost of which for raw materials was \$4.25 and for direct labor \$2.55, as illustrated below:

Raw material	\$4.25	
Direct labor	2.55	
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Prime cost	6.80	
Indirect labor	.34	(5% of \$6.80)
Factory expense	.255	(3.75% of \$6.80)
Administrative expense	.545	(5.45% of \$10.00)
Selling expense	.636	(6.36% of \$10.00)
Waste	.043	(e.g., 1% of \$4.25)
Seconds	.068	(e.g., 1% of \$6.80)
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Total cost	8.69	
Profit	1.31	(13.1% of \$10.00)
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Selling price	10.00	

As a matter of fact most goods are manufactured to sell at certain prices, which are determined in advance, and if the specifications, for raw material and for labor are found to be too high to allow a fair profit at the determined price, cheaper material or less labor is used.

The dual method may be varied by basing the percentage of burden for indirect labor and factory expense on the direct labor cost, instead of the prime cost, and it is claimed that for some industries, where the materials used differ but little in cost per unit, this modified method is more satisfactory.

In order to compute the burden by the dual method, accounts should be kept for the foregoing mentioned items, and they may be subdivided as appears below:

#### *Raw Materials*

##### *Direct Labor*

Wages of all employees in manufacturing occupations  
 Paid to contractors  
 Paid to home workers  
 Total direct labor

##### *Indirect Labor*

Salaries of officials, chargeable to manufacturing  
 Wages of factory superintendent and foremen

Wages of designers  
Wages of employees in sample department  
Wages of other general help-machinist, clerks in factory,  
    (not general office), floor boys and girls, etc.  
    (not including engineer and fireman)  
Total indirect labor

*Factory Expense*

Rent of space used for manufacturing and shipping departments  
Power, heat (or fuel and wages of engineer and fireman), light, and water  
Repairs on equipment  
Depreciation of equipment  
Fire insurance  
Workmen's compensation or employers' liability  
Welfare work  
State, county, township, and municipal taxes  
Other factory expense  
Total factory expense

*Cost of Administration*

Salaries of officials, not chargeable to indirect labor or cost to sell  
Salaries of general office force and auditor  
Rent of general office  
Office supplies, stationery, postage, telegrams, telephones  
Insurance—other kinds than fire  
Expense of collection and legal service  
Bad debts  
Corporation tax  
Other administrative expense  
Total cost of administration

*Cost to Sell*

Salaries of officials, chargeable to sales department  
Salaries, commissions, traveling and general expense of salesmen  
Wages of other employees in sales department  
Rent of showroom  
Packing materials  
Cartage and freight outward  
Advertising  
Other selling expense  
Total selling expense

*Waste and Seconds*

Loss from waste  
Loss from seconds  
Total

Such accounts can be kept very easily if a specially ruled ledger is used. Some of the items under factory expense might not im-

properly be entered under cost of administration, their placement being a matter of opinion, but as these items are usually small, the result in computing the burden on a unit would be little if any affected by a transfer of them from one account to another.

In computing the proportion of burden for the unit on the basis of production and net sales during the preceding business period, the results would be more accurate if the profit and loss statement were made semi-annually, instead of annually, and still more accurate if such a statement were made quarterly. In making computations by any method it should be borne in mind that the cost of materials and direct labor, while usually the largest elements of cost, are those which are most liable to fluctuation, and in calculating the burden on the basis of the last period the differences in the cost of materials and direct labor at that time and at the time the computation is made should be taken into consideration.

When a manufacturer gets out new styles he must be particularly careful in costing if all or any part of the direct labor is paid on the time-rate basis. In making up samples for salesmen to take out on the road he should make time studies of the several direct labor operations, to ascertain as nearly as possible the direct labor cost per unit. When the goods to fill the first orders received are manufactured, he should check up his first computation by the cost to manufacture in quantities, and if there is a difference, he should adjust the selling price per unit accordingly. If it should happen that his price for goods of a certain style, as given to the salesmen, is too low to afford a profit, the earlier he checks up his first calculation of the cost for that style, the less money he will lose.

While all of the methods of costing which have been described are comparatively simple and inexpensive, and while for most factories one of these methods would be found entirely practicable and satisfactory, it is not claimed that for a highly organized factory, with many departments, any of these methods would be as accurate as one which would be adapted to the particular needs of the plant, and which might be devised by cost accounting experts after a complete, careful study of the factory conditions.

In a highly organized establishment the departmental method of apportioning burden should be adopted. Certain burden charges should be made against the whole production of the factory, certain charges against the production of particular departments only, and

other charges in part against the production of the whole factory and in part against the production of particular departments. If a cotton mill, for instance, sells yarn and cloth, the factory expense for the weave room or for the cost of indirect labor in that room should not be made a part of the burden on the product of the spinning room. In a printing plant the product that is printed only should not be charged with the expense for the bindery department.

The great need of adequate cost finding among American manufacturers has been emphasized. The subject has been discussed in national associations of manufacturers from year to year, but, so far as known, no association has approved any particular system. In many lines of manufacturing, whole industries have suffered from the general lack of intelligent costing. The unintelligent or unprogressive manufacturer often makes prices to undersell his competitors, not really knowing whether he is making or losing money on the goods he sells, but in some cases thinking he is making money when he is actually losing. So much business is done in this cut-throat manner that even establishments which have installed elaborate cost-finding systems have been forced to abandon them and revert to the ruinous policy of meeting the competition of reckless business rivals regardless of consequence. They do this to hold their trade, hoping that profits on some lines will compensate for losses on other lines. The result is that many lines of the manufacturing business are cut to pieces. The national manufacturers associations could do no greater service for their members than to urge them to adopt adequate cost-finding systems.

## WORKING CONDITIONS NECESSARY FOR MAXIMUM OUTPUT

BY NORRIS A. BRISCO,

Author of *Economics of Efficiency*.

The nineteenth century has been justly called the century of the machine. Inventions followed one another in rapid succession, and machines became more and more highly specialized. Managers of industrial plants sought to obtain greater efficiency through two sources, first, the acquiring of more improved and more highly specialized machines for the different processes of production, and second, through better designed buildings and more carefully arranged machinery, so as to allow production to be carried on in all of its stages with a minimum expenditure of time and energy. During the last quarter of the century, production increased with rapid strides. Manufacturers realized that if industrial expansion were to continue at its rapid pace, more extensive markets must be obtained. By the last decade of the century, markets in many cases had become national, and at its close, many manufacturers to continue their business expansion were compelled to seek world markets for their goods. The resulting keen competition drove manufacturers to tax their ingenuity to devise methods for lowering costs. Attention had been centered upon improved machines, better designed buildings, more carefully arranged equipment, and economies arising from large-scale production. The closer study given to these factors of production made clear the limitations upon them. Attention was now turned to the human factor, and manufacturers soon recognized its importance in business activities. This factor so long neglected is at present recognized as the most important to lower costs, make possible successful competition, and pave the way for greater industrial growth and expansion.

Machines depend largely for their output upon the labor attending them. The worker should thoroughly know his machine to obtain the best results from its working. This has been recognized since the introduction of machinery, but the manufacturer has

failed until recently to realize the necessity of knowing his workmen in order to obtain the best results from their labor.

The effect of environment upon workers is great, and there is an intimate relation between the conditions which surround workers and their output. Machinery is carefully protected from dust, kept well lubricated, and in good repair, but in the average plant, until recently, little thought was given to the human heads and hands which operate the machines. Just as machinery is affected by environment, so is the worker, but more so, because he is sensitive to slight changes in the conditions which surround him. Maximum output in the average plant depends in a large measure upon the worker's physical and mental well-being. Light, ventilation, temperature, humidity, dust, air, odors, and gases are some of the factors which should receive careful attention in every plant.

Light in a plant has a direct bearing upon output. According to experts, the normal capacity of workers may vary 20 per cent under proper and improper lighting. Proper light affects workers in different ways, as, it causes greater accuracy in work, saves eyestrain, permits greater rapidity of work, reduces the number of accidents, improves the quality of work, decreases costs through less spoiled work and fewer mistakes in work, and lastly discourages slovenly work and soldiering. There is no fixed standard for light, as plants vary in the character of work performed, and in the amount of light required. The best light is natural light. Experts have proved that after three hours of work in ordinary daylight, there is little change in the working efficiency of the eyes, but after the same period of work in artificial light, the keenness of the eye is decreased and there is a distinct loss in muscular adjustment for accurate vision. Artificial light does not furnish the pure white ray of the natural light, as its rays are red, yellow or violet. The vision is perfect and there is less strain to the eye with natural light than with artificial.

The average manufacturer has only recently learned the value of an abundant supply of natural light, and in factory building has taken special pains to obtain as large an area of glass as possible. Roofs as well as walls should be used for window space. The saw-tooth roof with the glass portion towards the north gives a good diffusion of light. The window glass in order to give the greatest diffusion of light should be pure white, ribbed or prismatic. The

walls and ceiling of a factory have an important bearing upon light diffusion. White is a bad color, as it frequently gives a glare which is injurious to the eye. Creamish white or greenish gray are the best colors, as they cause good diffusion of light and do not glare. Walls, ceilings, and windows should be kept clean, because if dirty and dingy, they prevent proper light diffusion.

During many months of a year, it is impossible to get a sufficient supply of natural light during the entire working day, consequently an artificial lighting system is necessary in every plant. Due to the absence of danger from fire, to no gases being given off, and to causing no material increase in temperature, the electric light has decided advantages over gas. Electric light gives the best satisfaction in artificial lighting, and should be used wherever possible. The artificial lighting of every plant should be carefully inspected to see that the following injurious conditions do not exist; excessive light, insufficient light, glare, strong contrasts, flickering, heat or odors from light, and shadows. A too brilliant light is as injurious as a poor one. This is frequently caused by a poorly arranged system of lighting fixtures. The source of light should never be on a level with the eye of the worker. Glare is very fatiguing and straining to the eye. It may come from lights, walls, or ceilings. Frequently a slight change in the arrangement of fixtures, and the addition of frosted globes prevents much eyestrain. Care should be exercised to see that the walls and ceilings do not glare. A cream kalsomine gives good diffusion of light, and at the same time does not glare.

A steady uniform light is what is needed in every plant, and care should be exercised to see that it is obtained. Flickering and strong contrasts are very injurious to the eye. Strong contrasts are caused by some defect in the electric circuit, and this should be remedied as soon as possible. Serious ill health often arises from poisonous odors given off by gas lamps. In one factory, sickness was reduced 50 per cent by changing from gas to electric lighting. If a plant is lighted by gas, a frequent inspection should be made to ascertain if the workers in any way suffer from the products given off by the combustion of the gas. If gas jets are too near workers, discomfort, headaches, and sickness are frequently caused from the effects of products given off, or from the heat of the burning gas. Poor lighting and gloomy surroundings have depressing bodily

and mental effects upon workers. The efficiency of workers, and consequently the output of a plant, are increased through the provision of proper light. Too great emphasis cannot be placed upon the importance of proper light, and it is only recently that its bearing upon output is being realized by the average manufacturer.

The discomfort of a stuffy room is apparent when it is entered. No worker can do efficient work in a stuffy, ill-smelling, or overheated room. Such conditions foster drowsiness, lack of ambition, inaccuracy, carelessness and poor work. Workers are forced into these faults through the environments in which they work, and yet they are blamed and criticized for them. Pure fresh air of proper humidity and temperature is a pre-requisite for maximum output in any plant, and no effort or expense should be spared to supply it. It is rather remarkable that many shrewd business men who are always on the alert for improvements to increase profits have overlooked pure fresh air, a most important factor in securing maximum output. The obtaining of air so that workers may work under the most favorable conditions demands the closest attention of every manufacturer. The chief factors to be considered in securing air best suited for efficient work are temperature, humidity, air movement, dust, and fumes.

Manufacturers forget that workmen do more in the cool morning, not only because they are physically fresh, but because the air they breathe is fresh and exhilarating. There is no reason why the air in the afternoon should not be as fresh as it is in the morning, and the manufacturer who has fresh air for his workmen during the entire working day has an important factor working for increased efficiency of his working force, and a larger output from his factory. An enterprising English manufacturer could not get the same output from his working force in the summer as in the cooler months. He installed a ventilation system and electric fans, and the output of the summer months was greatly increased. The additional output paid for the expense of the improvement the first two months of service. A hot, sultry factory causes a listless, half-hearted working force which results in a decreased output. Overheated factories are a menace to the health of workers during the winter months. Workers pass from the overheated rooms to the cold air on the outside. Their vitality is lowered and they become easy prey to colds and different maladies. This results in impaired health and



frequent absences, and either hinders increased efficiency or curtails output.

An important problem for every manufacturer is the prevention of overheating, and the practical method for reaching this end is the changing of air. Ventilation or air change is obtained either by natural or by artificial means. In a large room where only a few people are working, proper ventilation may be secured through windows, doors, cracks, ceilings, and floors, without special provision for the purpose. In the average factory, proper ventilation by natural means is impossible, and some artificial system must be used. The average worker produces about as much heat per hour as is given off by the burning of two candles. In many factories, this is increased by the running of machinery, lighting, and other sources of heat. The problem is to force out the heated air, and to have cool, pure air take its place. If the air comes from the outside, it should be made in temperature a little below that which is normally felt to be comfortable. This is invigorating to workers. In summer time, it may be necessary to cool the air, while in winter, the air should be warmed. The latest device is to take the air from a room, cleanse and cool it, and then force it back again. Methods of ventilation are many and should be suited to meet each factory.

The air in every factory should be in motion. In this respect, it should be like the air in the open which is constantly in motion. A basic principle of ventilation is not merely that pure air should be forced into a factory and foul air expelled, but that the air should be changed in a way, so as to produce a steady movement of air in every part of the factory where workers are at work. Proper circulation or movement is an absolute essential in securing suitable air conditions for efficient work. Experts declare that the air in a factory should be made to move at the rate of from two to five feet per minute.

Space is also an important problem in ventilation. Experts vary in their opinions as to the minimum space per person from two hundred and fifty to four hundred cubic feet. The proper space does not guarantee good air conditions, but simply prevents overcrowding to the point where it is impossible to secure proper air conditions. When the space is less than two hundred and fifty cubic feet per person, it is impossible to get proper air conditions, but above that, they may be secured in some cases by natural, and

in others only by artificial means. Proper air circulation is an absolute essential in ventilation. English experts discovered that without proper provision for air change, the condition of the air was no better in factories with over five thousand cubic feet of air space per person, than in those with an air space of under three hundred.

Air contains water in the form of vapor from 30 per cent to complete saturation. A certain amount of water is daily given off by the skin. When the air possesses a high percentage of moisture, it lessens evaporation, as it has little drying power, and the water from the skin is with difficulty evaporated. A chief method for cooling the body is the evaporation of perspiration. When the air is hot with a high percentage of moisture, it increases the effects of heat, and discomfort, headaches, and even fever follow. This condition may become so intensified, that the temperature of the body greatly exceeds the normal, and heat exhaustion follows. Excessive dryness of the air is also harmful. It increases evaporation, the skin becomes dry and the mucous membranes of the mouth, eyes, and respiratory passages are irritated. It also causes discomfort, irritability and nervousness. Haldane has shown that as far as the psychological effect is concerned, a very high temperature with low humidity is about the same as a very low temperature with high humidity. When the temperature rises to eighty degrees Fahrenheit with moderate humidity, and about seventy degrees with high humidity, depression, headache and dizziness manifest themselves. Haldane found that at seventy degrees Fahrenheit with saturated air, the temperature of the body began to rise, that is, fever set in. The best air condition for efficient work is a temperature between sixty-five and seventy degrees Fahrenheit, with an average humidity of from 60 to 70 per cent. In every plant, special care should be taken to avoid extremes of heat, cold and moisture.

A comfortable temperature, a moderate humidity, and a proper circulation of air are necessary factors for maximum output. A slight variation of incoming air from that of the air in a factory invigorates and stimulates workers. Working in a high temperature, workers soon become listless and careless in their work, which has an important bearing upon output. Lack of proper air conditions causes drowsiness, discomfort and headaches, and leads to devitalized bodies which become easy victims to all kinds of diseases.

Proper air condition not only assures better health in a working force, but increases efficiency. It is an absolute prerequisite for maximum output in every plant.

The air in a plant is never as pure as that on the outside. It is always polluted more or less by the decomposition of substances, by the products of combustion, and by the wear and tear of tools, machinery, buildings and materials. Workers always tend to add impurities in germs and organic matter from skin, mouths, lungs and soiled clothing. The air impurities which may be found in a factory may be classified under three heads, dust, fumes, and gases.

Maximum output cannot be obtained in any plant unless the workers enjoy good health. Dust, through its effect in impairing the health of workers and decreasing their efficiency, has an important bearing upon output. Dust may be divided into three classes, insoluble inorganic, soluble inorganic, and organic. The first class includes small particles of metals, minerals, stone, etc. Soluble inorganic dusts comprise substances which are soluble, and if taken into the body, will in the course of time be absorbed, as small particles of arsenic, mercury, etc. The third class comprises fine particles from flour, grain, cotton, wool, rags, hides, etc.

Many dangers arise from dusts of any of the three classes. First, dust causes irritation of the respiratory passages, eyes, nose, and skin of workers; second, if inhaled, and lodged in the lungs, it may reduce the resistance of these organs to harmful bacteria, and cause workers to become easy victims to tuberculosis and other diseases; third, dust may be germ-laden and carry germs not only to the lungs, but to other parts of the body; fourth, many kinds are highly inflammable, and in the proper proportions and under suitable conditions may cause spontaneous combustion.

Many conditions have more or less influence upon workers and their output, but one which is most certain of injurious results is dust. Experts have discovered that sickness and mortality of workers are high or low in almost exact proportion as the air is filled with or free from dust. The proportion of deaths from tuberculosis and respiratory diseases is very high in trades with continuous or frequent exposure to metallic or mineral dusts. Manufacturers who strive for increased efficiency of their workers and maximum output should realize that an absolute prerequisite is to have their premises as free as possible from dust.

Dust prevention is in many plants a difficult problem. Hoods

for dust-making machines are inexpensive. A good ventilation system greatly assists dust removal. Where it is impossible by hoods or other devices to remove dust, and it is in sufficient quantities to be injurious to workers, respirators and goggles should be worn, and they should be furnished by the employers.

The average manufacturer does not take the proper precautions in removing dust from floors and walls. The old-fashioned broom and the dry duster are dust movers and not dust removers. Dry sweeping and dusting should never be allowed in any room where people are working. Dustless brooms, dustless brushes, wet sawdust, sweeping compounds, hygienic floor brushes, vacuum cleaners and numerous preparations for dust removal are available and cheap, and should replace in every factory the corn broom, cloth, feather duster, and mop and pail.

Offensive fumes and gases are given off in the making of many products. Discharge of gas may be prevented by proper covers for vats and vessels. There are on the market many condensing and burning devices for gas removal. When it is impossible to prevent the presence of gas or fumes, respirators, goggles, and sometimes gloves and skin protectors should be used. Dust, fumes, and gases are arch-enemies of efficiency, and maximum output cannot be reached in any factory where their presence in any quantity exists.

Accident prevention has a direct bearing upon output. It is not only in the interests of humanity, but a business proposition for the manufacturer to use every means in his power to protect his employees against the manifold dangers to life and limb which accompany production in all its phases. Workers appreciate measures taken to protect them and respond by taking a better interest in their work. The fact that they no longer have fear of getting hurt and getting no compensation is a factor working towards increased output. Actual tests have shown a marked increase in output on safeguarded machines due to natural speeding of workers who are relieved of the fear of accident. It stands to reason that if a worker is compelled to divide his attention between the fear of coming in contact with dangerous moving machinery and his work, that if he is relieved of the first, he will prove more efficient by giving his entire attention to the latter.

The important measures necessary to minimize accident risks may be summarized as follows: First, the providing of machinery and equipment with safeguards, and making it almost impossible

for a worker to be caught or injured by a piece of machinery or apparatus; second, the careful instruction of workers to inculcate habits of caution and to know how to avoid dangerous places around a plant; third, the providing of effective rules, signs, bulletins, and illustrated lectures which constantly remind workers of dangerous places, and the enforcing of strict discipline in carrying out all rules and instructions; fourth, the provision of means for promptly caring for any who may be injured through establishing emergency rooms and first aid to the injured service; fifth, the passing of legal statutes compelling every manufacturer under severe penalty to equip machinery and working places with every practical safety device it is possible to secure, and sixth, the provision of adequate accident compensation to the injured in case of accident. You cannot find a manufacturer who has installed accident prevention devices who does not say that money so expended is well expended, and that it pays.

Every manufacturer should realize that it is necessary to study carefully his own plant, and to ascertain and provide working conditions which are most conducive to output. It is a matter of common experience that an intimate relation exists between the conditions which surround a worker and his efficiency. All physical inconveniences which waste human strength and effort, as, foul air, poor light, dust, gases, and insanitary conditions, are marks of inefficiency and affect output. The lack of proper hygienic conditions in a large majority of plants is due to ignorance rather than to neglect. There is need of dissemination of scientific knowledge of the requirements of the human body. The factors which protect health and their influence upon output are just beginning to be understood in this country. Manufacturers cannot be blamed for not wanting to install expensive safety devices, ventilating and dust-removing systems, and other devices for protecting the workers, unless they can be shown that such expenditure is a profitable investment on account of the resulting increased output. With realization of the fact that the increased output obtained repays several times the expenditure, and an understanding of the demands of the human body, the next few years will see a rapid improvement in working conditions. There is no reason why most factories cannot be kept at comfortable temperature, with air containing the proper percentage of moisture, and at the same time free from dust and impurities, and have workers protected in every possible way from accident.

# THE PRINCIPLES OF INDUSTRIAL EFFICIENCY APPLIED TO THE FORM OF CORPORATE ORGANIZATION

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Among the most widely acknowledged principles of efficiency engineering and common sense are the two,—that responsibility must be closely related to ability, and that reward must be closely related to service. It has also been many times insisted upon that the efficiency of the methods in the ranks of a company cannot be expected to rise above the standards of efficiency laid down and lived up to by those who are at the head.

The last ten years have seen the development of many systems of management and wage payment which find their origin in the effort to make practical applications of these principles. Some of these systems include profit sharing for the wage-earner and some do not, but it cannot yet be maintained that profit sharing is necessary to them.

Not so much thought has been given to the application of these principles to the actual make-up of the company itself. The two principles, that responsibility must be related to ability, and that reward must be related to service rendered, find their parallels in the two old problems which have faced most concerns established for more than a generation—to wit, how to keep the voting control in the hands of those acquainted with and interested in the business, and how to give a fair share of the profits to those of the leaders in the concern who do not hold a significant amount of stock. It is with this special part of the big question of industrial efficiency that this paper deals.

To simplify the problem let us first consider the established company in which the extreme risks of a new venture have been met and passed, so that the capital invested in it is subjected to no more than a normal business risk; we can later take up the question of extra hazard with some of the field cleared away. When the voting control of such a business is in the hands of a few men inti-

mately connected with the business, success depends upon the character of these men. If they are the founders of the business, there is little doubt of their ability to carry it on, though difficulties may arise with advancing age. But if they are sons of founders, it will not always happen that their abilities for that particular business fit them for the powers and responsibilities which go with the voting control. When, through the inheritance laws and customs of our country, the vote has been scattered among the daughters and sons-in-law of the second and third generations, the problem frequently becomes acute. Here are often found glaring instances of considerable shares in the ultimate responsibility for the success of a corporation resting in the hands of those who have not the least knowledge of its needs. The corporation may be successful—not because the form of organization is calculated to help it toward success, but rather in spite of a form which at its best is no help and at its worst may be a distinct handicap. The only alternatives in such a case are for some one man to regain control, or for the control to be placed in the hands of all of the active leaders in the business. If the first alternative is chosen, the next generation is likely to present a repetition of the same problem. If the latter alternative, then some provision must be made whereby the vote should not thereafter pass out of the ranks of the active men.

Such provisions are not difficult to make. The capital interests, as such, can be represented by bonds or non-voting preferred stocks, while common stock, industrial partnership stock, or partnership certificates, can be put into the hands of leaders of the business in some proper proportion and made non-transferrable. If such partnership certificates are required to be sold to the corporation when active employment ceases, and are issued to those who newly enter the ranks of the leaders, a voting body can be maintained which shall always have the ability to correspond to its duties.

Under such circumstances the problem of reward for service rendered is made comparatively easy of solution. If on account of able management the business pays a dividend greater than is necessary to compensate for the normal business risk, the outside stockholder is being rewarded in part for services which have not been rendered; and the sales manager, the senior salesman and the department head, who have helped to earn this surplus, have not been paid in full unless by chance they happen to own stock in

due proportion to their respective values to the business. To square the books, then, the bonds or preferred stocks above mentioned should have a fixed return, calculated to make full payment for the service which capital itself renders, and any surplus which may be earned should be distributed in some form and in proper proportion among those upon whose individual efficiency the earning of such surplus depended. Since this surplus earning is frequently just that part of the total earnings which ought in every corporation to be reinvested for its growth and development, it is appropriate that the surplus should have the form of a certificate rather than cash; or, if the surplus should exceed the proper amount for reinvestment, part can be paid in cash and part in the form of certificates.

The determination of the particular employees upon the success of whose efforts the earning of a surplus depends, is a problem which must be studied with particular reference to the kind of business in question. It may be wisely approached in many cases by listing employees by name or by classes, and separating them into those whose efforts have direct influence, and those whose influence is remote. Few generalizations can help, though to characterize the profit earners as those whose work requires imagination, and the non-profit earners as those whose work does not, comes frequently near to the truth. When the distinction has been made between these two classes, some rule must be looked for to provide for future divisions. In some cases titles can be the basis of such a rule, and in other cases resort must be had to a salary minimum. The device of having some committee choose the profit sharers each year is attractive on its face, but introduces the dangerous elements of inconsistency and politics.

Profit sharing as a spur to greater efficiency is more particularly adapted to the jobs in which the coöperative spirit is an important essential. Wherever the chief need in individual effort and full efficiency can be obtained through a carefully regulated system of commission, task and bonus, or piece-work payment, profit sharing probably has little or no place. In any case, profit sharing cannot be a success where the sharers cannot see clearly the influence of their individual efforts upon the profits account, and where they have not the vision to realize the full meaning of coöperative effort.

The foregoing general principles as applied specifically to an



established concern are illustrated in the By-Laws of the Dennison Manufacturing Company, which are too long to follow this article, but which will be willingly sent to anyone interested in them.

Wherever the problem of profit sharing concerns a company just forming, or in the early stages, the element of abnormal risk to capital must be taken into account. The degree of risk will vary greatly, sometimes warranting a chance for capital to increase its value ten times in case of success to compensate perhaps for a ten-to-one chance for loss, and sometimes demanding nothing more than a liberal interest rate. But the important point is to make such a trade with capital that there will somewhere be a stopping point to the increase in its value. The peculiarities of each venture will usually dictate just what this trade with capital is. It may be that there shall be no return to the enterprisers in the business until capital has received a certain percentage, or a sliding scale may be arranged; but at some point the necessary and fair return to capital ceases and from then on the surplus will more wisely go to those who earn it. In these stages and, in fact, during the transition stage in an established business, it is wise and just that capital should have an important or perhaps the sole voice in electing the management. The sliding scale can provide for the gradual transfer of control from capital to the enterprisers, or a fixed point can be set at which the enterprisers gain full control. If reduction in earnings again places capital in jeopardy, it should again receive its vote.

The dependence of complete industrial efficiency upon the principles of industrial partnership is very real. Where absentee owners are reaping increasing harvests, beyond any justification through their efforts or the risks they assume, and where the true ultimate authority rests in the hands of stockholders entirely unfamiliar with and unskilled in the business, the most logical systems of task and bonus, or differential piece-rate, rest upon an illogical basis and will sooner or later face questions impossible to answer.

# GREATER AGRICULTURAL EFFICIENCY FOR THE BLACK BELT OF ALABAMA

## A STUDY OF THE POSSIBILITIES OF DEVELOPING GREATER AGRICULTURAL EFFICIENCY IN THE BLACK BELT THROUGH BETTER MANAGEMENT

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Alabama is conducting an energetic campaign for greater agricultural efficiency. The establishment of demonstration farm agents and experiment farms in the counties for the study of soils and plants, district agricultural schools for the instruction of the youth, extension work by the State Agricultural College, personal visitations by experts wherever needed, and the coördination and correlation of these forces under a central board whose activities reach out to all parts of the state, have given to this campaign the nature of an intensive and expert handling of the entire agricultural situation.

It is the purpose of this paper to present the agricultural situation in the Black Belt, and then to discuss the possibilities of developing greater agricultural efficiency in this region. This will be done by comparing the Black Belt with the regions immediately adjacent to it, north and south, where white majorities of population are found and successful farming obtains.

The Black Belt of Alabama stretches across the south central portion of the state, from east to west, and comprises twenty-one counties.<sup>1</sup> It embraces a variety of physiographic divisions and soils. The northern part of the Belt embraces a country somewhat rolling, of metamorphic soils, and the southern extends into the upper part of the coastal uplands, but the greater part of the Belt embraces the central prairie region that runs diagonally across the state, with a width of thirty-five or forty miles. By fact of the physiographic features the soils of the Black Belt are the most

<sup>1</sup> Russell, Chambers, Lee, Barbour, Macon, Bullock, Montgomery Butler, Lowndes, Autauga, Perry, Dallas, Wilcox, Monroe, Clarke, Marengo, Choctaw, Hale, Sumter, Greene, and Pickens.

fertile of the state and better adapted to the cultivation of the staples than the other regions.

Immediately adjacent to the Black Belt, north and south, respectively, are regions of gravelly hills, grey gneissic lands, and long leaf pine uplands, which contain white majorities of population. Out of these regions, twenty-one counties have been selected<sup>2</sup> for the purpose of comparisons with the twenty-one counties of the Black Belt.

In presenting comparisons of the Black Belt with the White Counties it is possible to cite in each group of counties striking particular instances of individuals who have adopted new and scientific methods of agriculture with remarkable results. But agricultural records will tell more accurately the story of the mass of farmers.

#### *Agricultural Records*

In the counties of the Black Belts in 1910 there were 26,138 white farmers and 76,648 negro farmers cultivating 1,798,056 acres in cotton and 812,982 acres in corn.<sup>3</sup> The average production of cotton per acre was 0.27 of a bale, and of corn 10.4 bushels per acre. The cotton acreage in 1910 was 51,840 acres greater and the corn acreage 140,614 acres less than in 1900. In the twenty-one White Counties there were 51,131 white farmers and 20,797 negro farmers cultivating 917,143 acres in cotton and 771,378 acres in corn. The average production of cotton per acre was 0.34 of a bale and of corn 11.4 bushels per acre. The cotton acreage was 203,880 acres greater and the corn acreage 102,594 less than in 1900.

Two significant facts stand out in these records: the per acre yield and the increase or decrease of acreage. As to the per acre

<sup>2</sup> Fayette, Lamar, Tuscaloosa, Bibb, Chilton, Coosa, Elmore, Talladega, Shelby, Tallapoosa, Clay, Randolph, Henry, Dale, Pike, Coffin, Crenshaw, Covington, Escambia, Conecuh, and Washington. To be referred to hereafter as White Counties.

<sup>3</sup> A farmer or farm operator according to the census definition is a person who directs the operation of a farm. A farm is all the land directly farmed by one person managing and conducting agricultural operations, either by his own labor, alone, or by the assistance of the members of his household or hired employees. Therefore, owners, tenants, and managers are classed as farmers. The census classification of share laborers as independent farmers is not correct, for the share system involves supervision. The classification serves the purpose here, however.

yield, it is conceded by all who are familiar with the soils of the Black Belt and the White Counties that by nature the soils of the Black Belt are much more fertile and more adapted to the cultivation of the staples than the soils of the other regions, yet there is a smaller average yield per acre in the Black Belt. The reduced acreage of the Black Belt is due to the decline of rural population as will be shown herein later, and not to turning the lands into other forms of agriculture. They are idle and vacant, turned in many instances into grass fields. In the White Counties, the increase is due to increase in rural population and to opening up new lands.

An analysis of the two groups of counties locates more definitely the causes of the smaller average yield per acre of the Black Belt. In the counties of the Black Belt in which the negro constitutes  $62\frac{1}{2}$  per cent of the population,<sup>4</sup> the average yield of cotton per acre is 0.26 of a bale and 10.5 bushels of corn per acre; in those counties in which the negro constitutes from 50 to  $62\frac{1}{2}$  per cent of the population,<sup>5</sup> the average yield of cotton per acre is 0.30 of a bale and 10 bushels of corn per acre. In the group of White Counties where the negro constitutes  $37\frac{1}{2}$  to 50 per cent of the population,<sup>6</sup> the yield of cotton per acre is 0.34 of a bale and 11.4 bushels of corn; in the counties where the negro constitutes 10 to  $37\frac{1}{2}$  per cent of the population,<sup>7</sup> the yield of cotton per acre is 0.35 of a bale and 11.5 bushels of corn per acre. These results are significant, for the negro in increasing majorities is found on the best soils of the state.

### *Farm Improvement*

Scientific farming includes within its program not only actual agricultural results, but the whole life of the farm: improvement of soils, adequate farm buildings, new and modern implements and machinery. In the Black Belt the value of lands and buildings increased 88 per cent between 1900 and 1910 and the value of implements and machinery increased 69 per cent. In the White Counties the per cent of difference in the same items for the same period

<sup>4</sup> Russell, Macon, Bullock, Barbour, Montgomery, Lowndes, Wilcox, Dallas, Morengo, Perry, Hale, Greene, and Sumter.

<sup>5</sup> Pickens, Autauga, Chambers, Lee, Butler, Monroe, Clarke, and Choctaw.

<sup>6</sup> Tuscaloosa, Talladega, Coosa, Elmore, Pike, Henry, Conecuh, and Washington.

<sup>7</sup> Lamar, Fayette, Bibb, Chilton, Shelby, Clay, Randolph, Tallapoosa, Crenshaw, Dale, Coffin, Covington, and Escambia.

of time was: land and buildings, 150, buildings alone, 133, implements and machinery, 113, a per cent of difference in each item twice as great as in the Black Belt.

An analysis of the two groups of counties as to the above items also reveals striking results. In the counties of the Black Belt where the negro constitutes  $62\frac{1}{2}$  per cent of the population,<sup>8</sup> the improvements between 1900 and 1910 were: land and buildings, 75, buildings alone, 68, implements and machinery, 54; in the counties where the negro constitutes from 50 to  $62\frac{1}{2}$  per cent of the population<sup>9</sup>: land and buildings, 108, buildings alone, 107, implements and machinery, 93. In the White Counties where the negro constitutes  $37\frac{1}{2}$  to 50 per cent of the population,<sup>10</sup> the improvements were: land and buildings, 121, buildings alone, 102, implements and machinery, 96; in the counties where the negro constitutes 10 to  $37\frac{1}{2}$  per cent of the population,<sup>11</sup> land and buildings, 171, buildings alone, 153, implements and machinery, 130. It is thus evident that agricultural production and farm improvements increase in a ratio inverse to that of the presence of the negro population. This is set forth in the map—Race, Farm Improvements and Production.<sup>12</sup>

### *Movements of Population*

The real condition and spirit of agriculture are probably more accurately revealed in the movements of population. Between 1900 and 1910 the rural population of the Black Belt, if we exclude four border counties, decreased 37.1 per cent. Ten counties suffered an average loss of 8.3 per cent.<sup>13</sup> In rural and urban population nine counties<sup>14</sup> suffered a loss of white individuals; eleven counties<sup>15</sup> suffered a loss of negroes. On the other hand, every county in the group of White Counties increased in rural population. The aver-

<sup>8</sup> See footnote 4.

<sup>9</sup> See footnote 5.

<sup>10</sup> See footnote 6.

<sup>11</sup> See footnote 7.

<sup>12</sup> See map.

<sup>13</sup> Wilcox, Dallas, Russell, Greene, Lowndes, Perry, Sumter, Barbour, Hale, Bullock.

<sup>14</sup> Wilcox 771, Russell 197, Greene 295, Lowndes 993, Perry 94, Sumter 295, Barbour 595, Macon 245, and Bullock 1,013.

<sup>15</sup> Wilcox 1,050, Dallas 1,861, Russell 954, Greene 1,169, Lowndes 2,764, Perry 468, Pickens 970, Sumter 3,716, Barbour 1,915, Hale 3,360, and Bullock 735.

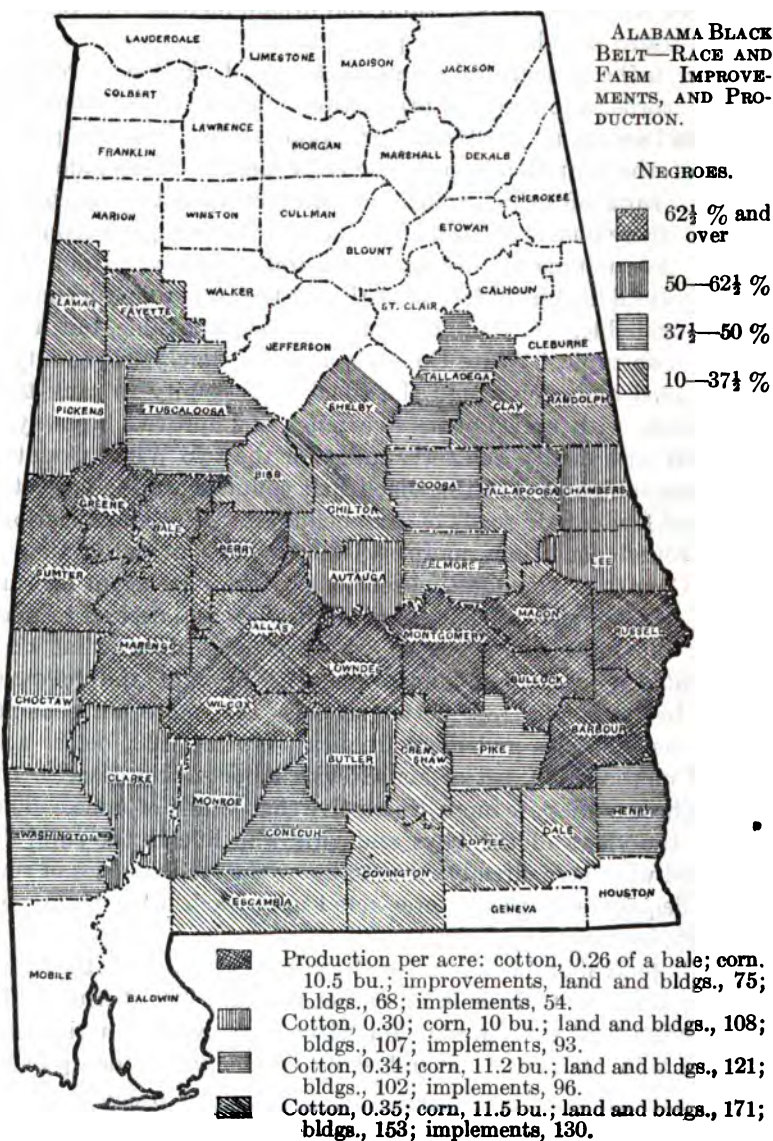
age increase for the group was 21.3 per cent in rural population. The entire white population, rural and urban, increased 19 per cent and the negro population 20.8 per cent.

Such is the agricultural situation in the Black Belt as revealed by the records; a low rate of production, low rate of farm improvements and an actual decline in rural population. But the presentation of the situation is not complete unless we include those phases of rural life which touch and interact upon the agricultural problem, those phases of rural life, educational, social, and economic, that are determining factors in agricultural efficiency. Upon these phases of rural life up-to-date statistics for the two groups of counties are not available, and therefore comparisons impossible, but a survey<sup>16</sup> of two typical White Counties and one Black Belt county as to improved highways found the Black Belt county to rank third in the scale with only twenty-five miles of improved highway as compared with eighty and forty miles for the two White Counties. The average highways of the Black Belt counties are the neglected, crude and inadequate roads of ante-bellum days.<sup>17</sup> An educational survey found conditions more satisfactory in Covington than in Macon County. The question sent out by the state agent for rural schools, "If you were a leader in rural districts and desired to make country life more attractive to young people, along what three lines would you suggest improvement?" brought the following replies: better roads, 137, better schools, 187, more amusements, 180, better churches and more frequent services, 123, better agricultural methods, 59, better houses with labor-saving devices, 101, etc. These replies are more descriptive than words of mine. They present the views of the boys and girls who live in the rural districts and who have already come to know the inadequacies of rural life, inadequacies that have inter-acted upon each other to prevent efficiency in the Black Belt.

This general problem is not without its history. It is the resultant of determinant forces in an earlier period. The distinguishing characteristics of the ante-bellum Black Belt was its agricultural supremacy in Alabama. Its industrial system was made up of the

<sup>16</sup> *Educational Survey of Three Counties in Alabama*. Published by State Department of Education, July 1, 1914, Montgomery, Ala.

<sup>17</sup> Some Black Belt counties have made modern improved highways, notably Montgomery and Dallas counties.



big plantations as the industrial units, and the dominant feature of these units was organization and management, which made this the region of supremacy in Alabama. But the upheaval of the sixties shattered this industrial organization and destroyed this supremacy. In the confusion and disorders of society that followed the Civil War, the Black Belt lost many of the men who had given dignity and strength to its former civilization. Many planters in the unsettled conditions of labor did not care to attempt farming and moved out of the state; others unable to realize on their holdings gave up farming and went to the towns and cities; still others, seeking better educational and social advantages, went to the places where these were to be found. The result was that the lands of the Black Belt were left largely in the hands of the listless, ignorant and unskilled negro. William F. Sanford writing in 1870 described this condition:

We are today poorer than we were on the day of the surrender of the Southern armies. Our carpet baggers and negro scalawags have imposed intolerable taxation upon a people already crushed to earth. A deep and sullen gloom is settling upon the Southern heart. Twelve cents for cotton and one hundred and fifty dollars and rations for a negro idler,—for laborer he will not be,—winds up the plantation business. All this great staple producing area is essentially upon the sheriff's block.<sup>18</sup>

In the adjustment of labor to the new conditions of freedom the negro was employed largely under two forms of tenantry: the renting system and the share system.<sup>19</sup> Since the beginning of the system the renting negro has been without supervision and control. By the lien law he was able to obtain supplies from merchants of nearby towns, and being obligated for only so much rent, he farmed according to his own pleasure and judgment, with the result that the farm on which he worked consistently deteriorated. The ditches grew up with grass, the soil washed away, fences and houses decayed, roads went unkept, and there arose in the land the saying, "The negro renter's foot is poison to the soil." On the other hand the share system has involved a degree of control by white men, close in some instances, indifferent in others. The white planters who remained on the plantation after the war, employed largely the share system, sometimes a combination of share and renting. Un-

<sup>18</sup> Letter of William F. Sanford. *Transactions of Alabama, History Society* Vol. IV.

<sup>19</sup> The wage system was at first tried but that has been steadily on the decline.



der this system close supervision was necessary, else failure and ruin were certain. Consequently these men, even though their abilities were great, had their time and energies consumed in this atrophying routine of drudgery. To the woes of supervising listless negro labor were added the distresses of the iniquitous credit system. The life of the post-bellum Black Belt planter therefore was a struggle for dire economic existence. It is little wonder that he lost his independence and his vision. Little wonder that the arts of rural life went undeveloped and that a condition of inefficiency settled upon the Black Belt which has not been removed today.

The history of the White Counties is different. When in the ante-bellum period the competition between industrial units took place—a competition that inevitably took place between the large planters and the small farmer—the small farmer was pushed to the uplands and the region thought by the planters infertile and unsuited for cultivation of the staples. This process in Alabama resulted in majorities of white population in the uplands and Piedmont region, and an industrial system made up of the small democratic farm. The effect of emancipation on these regions was to free their industrial system from competition with the wholesale system of the Black Belt. From the devastation and demolition of the war the White Counties suffered greater losses than the Black Belt, and they had less capital and equipment to begin with after the war,<sup>20</sup> but from the nature of their industrial organization readjustment was easier, quicker and more complete. Since 1870 these regions have marched steadily ahead of the Black Belt in production and in agricultural importance in the state. Their lands are less fertile than the lands of the Black Belt, but by the use of commercial fertilizers, rotation of crops and modern methods of farming, they are giving illustration of the possibilities of greater agricultural efficiency through scientific management.

It is clear, I think, that conditions in the Black Belt are out of harmony with other parts of the state, and out of harmony with the times.<sup>21</sup> If we translate these conditions in terms of dollars it means that the state is losing millions of dollars annually. Suppose the average production per acre of the Black Belt were raised to the

<sup>20</sup> *Reconstruction in Alabama*. Fleming, page 713.

<sup>21</sup> There are certain nuclei of modern methods, for instance at Uniontown, Ala.

average production of the White Counties, upon a conservative estimate it would add fifteen million dollars to the state's wealth. Raise the average production of the Black Belt to half a bale of cotton per acre and thirty million dollars or more will be added to the State's wealth. To put it more emphatically, the state is losing each year approximately thirty million dollars by the continuation of the conditions in the Black Belt.

It is evident that the crux of the problem in the Black Belt is the color and form of tenantry, for greater agricultural efficiency through scientific management is impossible so long as the crude, ignorant negro, unsupervised and undirected, tills the soil. But it merits little and accomplishes less to discover an ill condition and stop with censure. The state faces a condition, not a theory. These facts serve to reveal the stupendous task of the state in the development of efficient agriculture in the Black Belt.

The problem resolves itself, in the first place, into one of improving rural conditions of living so that rural life will become attractive. Improve rural conditions by the establishment of improved highways, coöperative agencies, and better educational facilities, that those who have left the farm may hear the call back to the soil, and that the young men and the young women already on the farm may find the gratification of life's ambitions there! Such an effort as this will raise the price of land to the point where it will remain no longer idle or tilled altogether by unsupervised and unscientific tenantry. But their values will be such that they will be manned by competent white farmers and independent negro tenantry will decrease.<sup>22</sup>

In the second place, a greater vision must be given to the farmers. Where there is no vision the farmers err. A farmer in the Black Belt who has been farming for thirty years, and considered one of the best in his community, remarked to me, "I am just beginning to know how to farm; I am just beginning to catch the vision; I have been without it all these years." This man is catching the spirit of scientific agriculture. Give this vision to the farmers and the movement will proceed from within outward. The possibilities of greater agricultural efficiency in the Black Belt can

<sup>22</sup> With the rise in the price of lands, renting decreases and the shares system increases. This is true in the white counties of Alabama, also in the white counties of Georgia.

be unfolded in such a manner that the farmers may catch the vision.

In the third place, the negro in the Black Belt must be taught agriculture. We do not believe that the great mass of these people are capable or willing to follow the rules of scientific agriculture, but that some will and can, has already been demonstrated in Alabama.<sup>22</sup> Agricultural instruction for the negro in the Black Belt appears to be a well nigh hopeless task because of the overwhelming ratio of blacks to whites. Here, by fact of the great numerical majority, the negro loses the influence of the white man's example. Removed from proximity to his landlord, he cultivates according to his own methods, which by the very nature of the case are crude, unscientific, and unprofitable. Tenant for the year, he cares only for the year's crop, and that none too seriously, so long as supplies are furnished him. The same crops are planted on the same lands year after year, unsustained by fertilizers and unstirred save by the merest attempt at ploughing. So thriftless are his manners of living, so improvident his methods of agriculture, that they give illustration in our midst of that tribe of South American Indians, who, while being taught agriculture by missionaries, killed their plough oxen when they had felt hunger after the first day's labor. However hopeless the task may appear, the great economic waste of the negro's methods of agriculture urge the undertaking.

The very hindrances the negro presents to the white farmers by his crude methods are reasons in themselves for some kind of agricultural instructions for the negro. That the negroes' method of farming is a direct economic waste is a palpable truth; that the crude and wasteful methods of the negro farmer tend to make the methods of the white farmer less excellent and less scientific is equally true if not so self-evident. The white farmer who deals with ten or twelve negro tenants finds his own standard lowered through the conditions of his contact with their less developed habits of efficiency. He may be ever so exacting and determined in the standard of his methods when he undertakes the enterprise, but he will awake to find himself compromising his standards with those of the crude farmer under him. This truth operates over the entire Black Belt to reduce its agricultural efficiency. The tenant supervised, and the tenant unsupervised, affect the white

<sup>22</sup> The negro schools as community centers in Macon County—*Educational Survey of Three Counties of Alabama*.

farmers of the region with the dragging pull of their low and crude methods. There is something organic even in the nature of the unity of the society of farmers. As within our physical being the improper functioning of one organ hinders the body as a whole, so within the general order of society, the low or unprogressive group is a deterring force. So it is that the crude methods of the negro farmer in the Black Belt pull downward the standards of the white farmer. This is nothing more than a fact of life; it is nothing less than the tragedy of habitual self-adjustment to lower conditions of life and to feebler notions of excellence.

Not only is it true that a group which is declining in efficiency has a tendency to pull the stronger in the descending processes of its ruin, or if it be at stagnation point to impart something of its dead spirit to the living body of the other, but a group which is low has a tendency, if it be growing in efficiency, to exert an upward pressure on the stronger. This is to say that one of the ways to enable the white farmers of the Black Belt to become better and more scientific farmers is to teach the negro better methods of agriculture. Such a process would aid the white farmers by the direct contribution of an advancing efficiency both as to the execution of details and to the larger policy of production. How often does the complaint go up from the farmer of the Black Belt that scientific agriculture is impossible so long as the negro is the laborer! Modern machinery cannot be used because he knows not how to operate it. Valuable accessories to the plantation he knows not the value of. Harness he leaves in the field to mould in the coming rain, cultivators where the last furrow was ploughed, binders or reapers where the last grain was thrashed. Lacking in that sense of value, of thrift, and of economy, he forces the white farmer to that inadequate and inefficient policy that has bound the South since emancipation. But the employer of an improving and saving negro labor may modernize his methods. As his labor becomes more intelligent in agriculture it becomes less wasteful, and thereby relieved somewhat of the minute and nerveracking supervision of ignorant and careless labor, he may give more attention to a sounder economy and a broader outlook for the plantation. So, too, improved knowledge of agriculture among tenants supervised and tenants unsupervised will not only reduce the pull downward of the white farmers' standards, but will exert an upward pressure. If the negro farmer

be growing in efficiency the white farmer will likewise grow in order to maintain his relatively higher standard. This, too, is nothing more than a fact of life; it is nothing less than the hopeful policy by which the Black Belt will be raised from its present backward and inefficient economic position.

## DEVELOPMENT OF STANDARDS IN MUNICIPAL GOVERNMENT

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To discuss broadly the development of standards in American city government would require complete consideration of the new temper and quality of civic administration throughout the country. In common use, the word "standard" connotes quality of conduct and character of service. "Standards of efficiency," "business standards," "standards of economy," are phrases now in frequent use in city government talk. They express vaguely, perhaps, but nevertheless suggestively, the new juxtaposition of ideas in reference to city government, and imply that there are positive tests available, if as yet unformulated, for measuring the quality of city government.

These phrases are to a large degree the product of the recent regeneration of American city government. Before commission government, bureaus of municipal research, and the city manager plan, there were no concepts of standards for city government except with regard to the virtue or morality of public officials. Tests applied to city activities were, therefore, negative rather than positive. Manifestations of effectiveness were not measured against an ideal of maximum effectiveness, but against the shades and shadows of conventional civic incompetence and corruption.

Standardization is a part of the process of creating objective tests for various municipal activities. The present development of standards in city government represents the efforts of the analysts of civic management as well as of civic administrators to develop efficient practices and to establish tests for measuring the effectiveness of city work.

Standardization may mean any one or all of the following:

1. *The application of accumulated and analyzed experience in respect of the past performances of specific services or functions to the future or current performances of such services or functions.*

2. *The establishment of a scale of merit for measuring values in work, services, supplies, materials, etc.*
3. *Devising structures or parts of structures so that they may be best adapted to their prospective uses and susceptible of ready reproduction, replacement or interchange.*
4. *The development of exemplary processes for the performance of work of a specific character or for classes of work, or for general application where like work is performed under like or closely similar conditions, or for gauging the efficiency of methods already in use.*

In each of the foregoing relations standards may be objectively represented in the form of specifications, procedures, physical product or work methods. They are of no value unless they can be so objectively expressed and thus made to serve as a denominator for measuring cognate services or products by the public (consumers or citizens), by administrators, and by those who perform or control the work of administrators.

In government, standards are of practical value in promoting efficiency: (1) as a basis for measuring needs with respect to which services are to be performed; (2) for determining appropriations of funds by means of which services are to be performed; (3) for guiding administrators in performing such services; (4) for establishing a scale of compensation equated to the value of work performed; (5) for equating values with prices paid for supplies; (6) for guiding the selection of personnel, materials, supplies and equipment in accordance with the requirements of prospective service or use; (7) for regulating the routine performance of duties by the various integral parts of the organization; (8) for providing in various relations the means of common understanding between public, officials, administrators, appropriating bodies, etc.

Standardization means the formulation of definite concepts with respect to the elements of administration as opposed to vague generalized impressions.

Standardization provides a common language for the discussion of the problems of a specific business, both as between the public (citizens, consumers or stockholders) and administrator, and as between administrators.

The method of standardization varies with the nature of the problem under consideration. As between the application of the

principle of standardization to public and private business, there is this fundamental difference: In private business there has been developed a body of recorded information respecting processes, organization, etc., acquiring somewhat the character of a science, as in banking. This recorded information is generally lacking in government, and if it were present would be of little value because of the low order of effectiveness of past governmental services. Standardization in government is, therefore, empirical, except in so far as experience and consequent method devised in private enterprise are applicable to governmental functions.

In many fields of private administration, standards have evolved gradually during a long period of effort to conduct the particular enterprise with maximum efficiency. In government, the desire for effectiveness on the part of officials, and the ability of the public to enforce its demands for efficiency, are of such recent origin, that in order to bring government practices up to best attainable levels, it has been necessary to undertake the conscious formulation of standards.

It will be clear, of course, that the methods employed in developing standards in city government are in large degree applicable to private business as well, because the methods of private business are susceptible to improvement through study, analysis, precise formulation, etc. Thus, compensation in private business is generally as unstandardized as in public business, so far as salaries are concerned. In many fields of private enterprise prices for labor are wholly devoid of standardization, even in the same industry, because subjective tests, generally in the form of haggling, are employed in fixing the compensation rather than objective tests in a form calculated to ascertain value of services performed, living requirements, etc. In many respects, obvious to students of administration, standardization is as necessary in private business as in public business.

Because of the extensive character of New York City's program in standardization, as well as because of the similarity of problems of administration in government to those existing in private enterprise, New York's exceptional present efforts to develop standards will be of value not only to other municipalities, but in many respects to private enterprise.

A prefatory word may be said regarding the origin of standard-



ization in cities. The first attempt to standardization, so far as I know, was in reference to specifications for paving. Paving construction in New York and in other American cities was troublesome for many years, because of the lack of technical information on the part of city representatives respecting the nature of paving. Contractors' guarantees were relied on to ensure satisfactory pavements, with the result that throughout the city there developed the greatest inequality in paving conditions resulting in public concern regarding the use of vast appropriations for paving purposes.

Standard specifications were evolved, first to control the use of funds appropriated to different divisions of the government for paving, and subsequently to formulate the technical experience of the city, supplementing or opposed to the technical experience of engineers employed by contractors and ensuring for the city a pavement of suitable character. Through the provision of uniform specifications for paving, the appropriating authorities of the city set up the first objective use test for measuring appropriations. Similarly, the board of education through its architectural department had developed a standard type of school building, not so much to control the use of funds, as to facilitate the construction of school buildings by utilizing the accumulated experience of the department in planning a type of building best adapted for New York City's school purposes.

It was, however, rather as an incident to the control of appropriations made by the fiscal authorities, than as a means of planning and directing administrative activities by the executive branch of the city government, that the process of standardization developed in New York. As now worked out it includes the following major lines of activity:

Standardization of supplies, materials and equipment.

Standardization of salaries.

Standardization of accounting, payroll preparation, voucher processes, office practice, reporting, etc.

Standardization of purchasing practice.

Standardization of work methods.

Standardization of principles of management.

*Standardization of Supplies Specifications*

Standardization of supplies specifications promotes efficiency from three standpoints:

1. From the standpoint of the user of supplies.
2. From the standpoint of the vendor.
3. From the standpoint of those responsible for the appropriation and administration of funds.

The work of supplies standardization has been in progress in New York since 1910. It has proceeded slowly for several reasons, the most conspicuous being the absence of precedent and the inadequacy of the machinery provided for the development of standards. The task, however, has been one of prodigious proportions involving the analysis and description of some 22,000 articles in current use in various city departments, and annual expenditures of some \$15,000,000.

To prepare standard specifications for supplies, the following steps are necessary: First, the use to which the supply is put must be determined, then, whether the particular character of supply currently requisitioned is best adapted for the purposes served. These being determined, the essential qualities and characteristic of the supply must be ascertained either by the advice of practical experts or by technical analysis. The results of this advice or analysis must then be formulated into terms which are understandable in the trade, susceptible of easy enforcement and permissive of competition among vendors. These steps having been taken there are available for the use of purchasing agents, specifications calling for carefully selected articles designed to satisfy the use requirements of requisitioning departments.

In New York standardization of supplies has gradually developed the basis for an efficient central purchasing plan, making possible the consolidation of the requirements of a large number of different departments into joint contracts for purchase. Now, when forage, food supplies, such as meats, coffee, canned goods, etc., coal chemicals, soap, etc., are requisitioned by any one of ten or fifteen consuming departments of the city government, the requisition expresses a quickly understood requirement and leads to a purchase which provides for every branch of the city government having like needs a supply of like character. Before standardization, a requisition for coal had a different meaning in

every one of the thirty-two departments consuming coal in the city. A requisition for soap meant only what the dealer found it profitable to have it mean. It is inconceivable that supplies may be purchased efficiently without standardization. Neither can they be efficiently used or intelligently desired unless supply requirements of the using institution have been subjected to the processes now implied by the term "standardization."

### *Standardization of Salaries*

In government, wages and salaries represent the principal part of the annual outlay. Unscientific determination of personal service compensation rates has been a principal cause of municipal inefficiency. New York, Chicago, Milwaukee, Pittsburgh and one or two other cities have recently undertaken to re-order salary schedules on the basis of a standard classification of positions and the adjustment of rates to the character of work and its relative value in the field of city employment. The procedure involves, first, an analysis of work actually performed by units or groups in an organization, consideration of the feasibility of readjusting work so as to make existing compensation or desirable compensation more appropriate to the position, or adjustment of compensation up or down to conform with rates paid for similar service elsewhere in the government or in private employment.

In practice, the application of a standard plan of compensation to an existing schedule is likely to involve either the ungrateful task of reducing salaries, or the alternative of waiting for vacancies to readjust compensation for the appointment of fresh incumbents. Standards may be applied with ease, of course, to new positions as they are created, and wherever an increase of compensation will result by reason of existing underpayment or underassignment of duties.

New York City, through its bureau of standards, has prepared a plan of promotion, a standard classification and uniform rates for the several grades in the fifteen primary divisions of city service.<sup>1</sup>

<sup>1</sup> These divisions are as follows:

Executive	Social and Educational	Police
Legislative	Sub-Professional	Institutional
Judicial	Inspectional	Street Cleaning
Professional	Clerical	Skilled Trades
Investigational	Custodial	Labor

This work is perhaps the first comprehensive attempt made to determine a scheme of compensation based upon the value of work performed, its relation to other grades and classes of work required by the institution, and the considerations of standards and cost of living, special qualification required, opportunities for advancement, provision of superannuation pensions, etc. The New York work furnishes a basis for considering compensation in all fields of activity, public and private, and is the first attempt to supplant the haphazard, bargaining, accidental determination of salary rates with a definitely formulated plan of compensation based on such principles as experience evolved from employing and paying upwards of 80,000 employees has suggested.

The field of compensation standardization is so broad that one is not safe in generalizing on a brief statement of the elements of the problem. It may be said at this time, however, that a rational plan of compensation is the first requirement of efficient organization, and indispensable to just and successful management of a large body of employees. The field of salaries and wages furnishes one of the most inviting opportunities for constructive effort, not only in government but also in industries and mercantile activity.

One is inclined to picture an institution ordered by some arbitrary process of regimentation when considering the complete application of standards to administration. The fact is, however, that an essential element of standardization is the recognition of the necessity of divergencies from the standard. This is true in regard to compensation, forms of organization and even details of procedure, for no two organizations can be made identical unless the elements involved in the organizations are identical. In city government this rarely happens. But there are certain elements of routine administrative procedure which may be patterned on a common model under varying forms of organization. Thus, there have been installed in New York City standard accounting practices in the several departments, uniform methods of payroll preparation, standard filing systems, methods for handling correspondence, etc. These routines, with modifications in detail, may be applied as an aid to efficient administration throughout a city government. So much has been said of this aspect of the problem of ordering practice to conform to the formulation of comparative experience, that I need only refer to it in passing.

Least has been done in the most important field of activity to which standards may be applied, namely, the actual processes of operation themselves. In 1913 the board of estimate and apportionment in New York established a division of efficiency to make detailed examinations of methods employed in the conduct of public business, and by tests to establish a standard routine for the performance of work. Studies were made in the borough of Richmond of various public works activities, and as a result of long experiments in planning work, organizing gangs, arranging for delivery of material, devising records to govern the performance of work, the formulation of specific instructions, etc., standard routines were evolved. These have as yet failed of application to other sections of the city where similar work is done, because of decentralized responsibility and the persistence of a spirit of individual freedom in the management of public departments, which is one of the principal embarrassments to efficient municipal administration.

Similar analyses of work problems and methods are now in progress in the department of street cleaning. An average, typical section of the city has been selected for the development of model methods for general application. Here, as in other similar problems, observation, analysis, recording, comparison, testing and measurement of results by a standard or ideal established as a goal, are the methods pursued in evolving a standard, efficient practice.

It is proposed to apply the same method to every branch of city activity. This has already been done in numerous fields. Indeed, the process of analysis has somewhat outrun the actual application of the results of analysis by administrators. But not until New York obtains a greater degree of centralized authority in administration so much needed, will it be able to apply standards to its multifarious fields of activity. Theoretically, the opportunity for standardization runs from end to end of city government. There is first the study of the field of municipal activity, to learn what are the problems to be solved and what service standards are to be observed in solving them. Thus, it is not enough to standardize methods of street cleaning, a standard of cleanliness must be determined as a prerequisite. In determining a standard of cleanliness, it is necessary to consider health and comfort requirements, cost

limitations, efficiency in equipment, limitations imposed by traffic, habits of street users, or residents, etc.

Efficient administration involves as a continuing process the formulation of standards and their revision with changing conditions. Gradually, in this way, a body of experience and method will be developed under which a city government may be conducted up to the level of efficiency which the knowledge and capacity obtained from years of analytical conduct of the activities of government will have produced. New York is fairly well launched on a program of standardization. It is formulating principles of administration by which to test its standards. More and more it is recognizing that no limitations may be placed upon the effectiveness of city service except the changing limitations of human knowledge and ability. The apologist has played his part and exhausted the array of excuses which have heretofore been accepted in lieu of efficient municipal service. Standardization is both a challenge to city administrators and the means by which they are able to answer to demands for greater effectiveness in city management.

## WHAT SCIENTIFIC MANAGEMENT MEANS TO AMERICA'S INDUSTRIAL POSITION

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There is some confusion today as to the meaning of scientific management. This concerns itself with the nature of such management itself, with the scope or field to which such management applies, and with the aims that it desires to attain. Scientific management is simply management that is based upon actual measurement. Its skilful application is an art that must be acquired, but its fundamental principles have the exactness of scientific laws which are open to study by everyone. We have here nothing hidden or occult or secret, like the working practices of an old-time craft; we have here a science that is the result of accurately recorded, exact investigation. Its results are formulated, or are being formulated, into such shape that they may be utilized by all who have the desire to study them and the concentration to master them. The leaders in the field are, as rapidly as possible, publishing these results, that progress may take place from the stage of highest present achievement, and that no time or effort may be wasted in re-making investigations whose results are already known and accurately recorded. The scope of this management, which may truly be called scientific, is unlimited. It applies to all fields of activity, mental and physical. Its laws are universal, and, to be of use in any particular field, require only to be translated into the vocabulary of the trained and progressive workers in that field.

The greatest misunderstandings occur as to the aims of scientific management. Its fundamental aim is the elimination of waste, the attainment of worth-while desired results with the least necessary amount of time and effort. Scientific management may, and often does, result in expansion, but its primary aim is conservation and savings, making an adequate use of every ounce of energy of any type that is expended.

Scientific management, then, in attacking any problem has in mind the question—How may what is here available be best used? It considers the problem, in every case, according to the scientific method; that is, by dividing it into its elements and submitting each one of these to detailed study. Every problem presents two elements: the human element, and the materials element. By the materials element we mean the type of material used, the quality of material used, the quantity of material used, the manner in which the material is used, with conclusions as to why the material is chosen and handled as it is. In other words, we would apply to the material the familiar questions, what, how much, how, when, where, and why. These same questions are applied to the human element; that is to say, to all members of the organization.

Having in mind now the principles and practice of scientific management, we can consider its relation to the industrial position of any country. Industrial growth, like all other growth, consists of progress and maintenance; that is, of advances over and beyond present achievement and of making adequate provision for holding any advantage that one may gain. It is generally realized that maintenance contains always the thought of conservation, that it is impossible to hold any advantage without making careful provision for using one's resources in the best possible manner. It is not so generally realized that progress also implies constantly this same conservation. The reason for this is the result of a confusion between saving, or conserving, and hoarding. True conservation contains no thought of miserliness or niggardliness. It is based upon a broad outlook on life and upon the needs of the situation, upon a willingness to pay the full, just price for what is wanted, but an unwillingness to pay any more than is necessary. Progress differs from lack of progress, fundamentally, not because the progressive man is willing to pay more than the unprogressive man will, but because the progressive man has a broader outlook and a keener insight, hence, a more adequate knowledge of where and when it is necessary to pay. The unprogressive man or nation suffers from a limited outlook that makes it practically impossible to make a just estimate as to what is worth while.

When we compare the various countries of the world, and try to estimate their relative industrial positions, we find a strong relationship between conservation in its highest sense and industrial



supremacy. Again, as we turn to history, we find this same relationship constantly manifesting itself; that is, progress depending upon an ability to see what is worth-while, and a willingness to pay for that and that only, and stability or maintenance depending upon an efficient handling of available resources.

As we review history, and observe present conditions, we see that the differences between various countries are becoming less and less, as time goes on. Transportation, with its numerous by-products that affect both the material and the human element, is increasing the likenesses between different countries at an astounding rate. This means that industrial supremacy will depend more and more upon the handling of available resources and less and less upon distinctive features in these resources themselves. The calamitous war, which is now apparently offering such a serious check to industrial progress, is contributing toward ultimately making working conditions more similar, in that many countries are being thrown upon their own resources for both materials and men, and are being forced to make discoveries that will more nearly equalize these resources.

Another outcome of this war, that should prove of advantage to the world, is the emphasis that is being laid upon the causes of industrial position and industrial supremacy and the resulting study that is being made as to the reasons for such supremacy. Such a study should be particularly profitable here in America. This country has always conceded her important industrial position. She has realized thoroughly her enormous natural resources and also her wonderful human resources in that she is "the melting pot of the nations." It is only within the lifetime of those still young among us that we have come to realize the necessity of conserving our natural resources. It has not yet reached the attention of many among us that our human resources are as worthy, in fact, infinitely more worthy, of being conserved.

It is self-evident, then, that to attain and maintain an industrial position of which she may be proud, America must conserve both her natural and her human resources. If she hopes for industrial supremacy, she must set about this conservation with energy, and must pursue it unremittently.

The writers have a thorough knowledge of European industrial conditions, through having done business simultaneously in

this country and abroad for many years, through frequent trips abroad before the war, through having crossed the boundaries of many of the warring countries many times since the outbreak of the war, and through having observed carefully industrial conditions and methods. Their opinion, which is that of all who have made intensive studies of these conditions, is that America is far behind European countries in conservation of the materials element, both natural and manufactured resources. This statement needs no proof in this place. The fact it contains is universally accepted by serious thinkers and investigators. It is equally true that up to recent times European countries have done comparatively little toward conserving the human element.

The hope of this country lies, then, in equaling or surpassing foreign conservation of material and in maintaining or progressing beyond our present conservation of the human element. The material problem is being attacked along different lines in a more or less systematic manner. We all appreciate the benefits of scientific or intensive farming, until now our native farmers, working under the direction of and with the coöperation of the Department of Agriculture, get results that equal those of European farmers, in their native lands, or here in ours. The importance of laboratory analysis of materials and the help that applied science can render and is more and more rendering to the industries are also being recognized. Agricultural experience has taught the valuable lesson that it is possible to get great output, yet, at the same time, leave the producing force unimpaired, by a proper expenditure of money and brains. Experience with applied science has taught that by-products, as well as products, must be considered, and that the exact methods of science often bring results that are beyond those looked for or hoped for. It has been common practice to consider a transaction satisfactory, or better, if it fulfilled one's expectations, to lay emphasis upon the result rather than to standardize the means or method. Laboratory practice has taught that while the immediate results are important, the standardization of the method is more important, since the unexpected ultimate results, sometimes called by-products, are often by far the most valuable outcome of the work. Certain industries in this country have gone far toward applying scientific methods to the material element, but no one of us need go outside his own experience to be able to mention

other industries that as yet have no conception of what such work means.

Much has been done not only in the analysis of materials, but also with the handling of materials. America has cause to be proud of her machines and her tools. The chief criticism that we may make of present practice in this field is that of lack of standardization. The reasons for this are many. One is business competition, though the feeling is gradually dying out that making one's product markedly different from that of all others is a strong selling advantage. Another is the strong feeling of independence and individuality that leads one to prefer a thing because it is different rather than because it is adequate to the purpose for which it is needed. A third is a lack of channels for direct and easy communication of ideas. This is being supplied both through organizations and publications. A fourth is the former lack of standardizing bodies or bureaus, a lack which is also being supplied as the demand for such bodies increases.

Because of the highly specialized nature of much present-day work, few of us realize how widespread, almost universal, the lack of standardization is. It is only necessary to turn, however, to such a field of activity as surgery, which engages the attention of some of the finest brains in the country, and which is apt to come, sooner or later, in some way, into the field of experience of everyone, to see a striking object lesson of lack of standardization both of tools and of method.

It is the work of scientific management to insist on standardization in all fields, and to base such standardization upon accurate measurement. Scientific management is not remote, or different from other fields of activity. For example, in the handling of the materials element, it does not attempt to discard the methods of attack of intensive agriculture or of the laboratory of the applied scientists; on the contrary, it uses the results of workers in such fields as these to as great an extent as possible.

There is a widespread feeling that scientific management claims to be something new, with methods that are different from those used by other conserving activities. This is not at all the case. It is the boast of scientific management that it gathers together the results and methods of all conserving activities, formulates these into a working practice, and broadens their field of

application. In handling the materials element, then, scientific management analyzes all successful existing practices in every line, and synthesizes such elements as accurate measurement proves to be valuable into standards. These standards are maintained until suggested improvements have passed the same rigid examination, and are in such form that they may be incorporated into new standards.

Turning now to the field of the human element—by far the more important field—we find that, while there is much talk of work in that field today, comparatively little has actually been accomplished. There have, in all places and times, been more or less spasmodic and unsystematic attempts to conserve human energy, or to use it for the greatest benefit of all concerned; but there has not been steady and conspicuous progress in this work for several reasons; 1. Because the methods used were not accurately measured and were not standardized. This made it impossible for the individual conserver to accomplish much of lasting benefit. 2. Because of lack of coöperation between such conservers.

It is the task of scientific management to supply both these wants. Success in handling the human element, like success in handling the materials element, depends upon knowledge of the element itself and knowledge as to how it can best be handled. One great work of scientific management has been to show the world how little actual knowledge it has possessed of the human element as engaged in the work in the industries. Through motion study and fatigue study and the accompanying time study, we have come to know the capabilities of the worker, the demands of the work, the fatigue that the worker acquires at the work, and the amount and nature of the rest required to overcome the fatigue.

Those not actively interested in the industries can scarcely realize that the process of keeping the soil at its full producing capacity and of providing depleted energy is infinitely more standardized and more widely used than the process of providing that the human organism overcome fatigue and return to its normal working capacity in the shortest amount of time possible. Scientific provision for such recovery in the industries, before the days of scientific management, was unknown.

It is even more surprising that only the pioneers in the work realize the application of any necessity for the laboratory method

in the study of the human element as it appears in the industries. When making accurate measurements, the number of variables involved must be reduced to as great a degree as possible. Only in the laboratory can this be successfully done. It is fortunate for scientific management that its initial introduction in the industries has been made by engineers rather than by men who are primarily laboratory scientists, for this reason: the engineer has been forced by his training to consider constantly immediate as well as ultimate results, and present as well as future savings. Investigations of scientific management have, therefore, been made to pay from the start in money savings, as well as in savings of energy of all kinds. We note this in the results of motion study, fatigue study, and the accompanying time study.

As an example, take the laboratory investigations in motion study. These, where possible, are made by us in the laboratory, which is a room specially set apart in the plant for research purposes. Here the worker to be studied, with the necessary apparatus for doing the work and for measuring the motions, and the observer, investigate the operation under typical laboratory conditions. The product of this is data that are more nearly accurate than could be secured with the distractions and many variables of shop conditions. The by-product of this work, which is a typical by-product of engineer-scientists' work, is that the conditions of performing the operation in the laboratory become a practical working model of what the shop conditions must ultimately be. When the best method of doing the work with the existing apparatus has been determined in the laboratory, the working conditions, as well as the motions that make this result possible, are standardized, and the working conditions in the shop are changed, until they resemble the working conditions in the laboratory. In the same way, the length and periodicity of intervals to be allowed for overcoming fatigue, and the best devices for eliminating unnecessary fatigue and for overcoming necessary fatigue, are determined during the investigation, and are incorporated into shop practice.

The various measurements taken by scientific management and the guiding laws under which these are grouped determine not only the nature of the human element, but the methods by which it is to be handled. Motion study, fatigue study, the measures supplied by psychology,—these result in the working practice that

fits the work to the worker, and produces more output with less effort, with its consequent greater pay for every ounce of effort expended.

Through scientific management, then, the individual conserver is enabled to progress constantly and to maintain each successful stage in the development. Scientific management can, also, and does, wherever permitted, provide for coöperation among conservers. It does this by:

1. Demonstrating the enormous waste resulting from needless repetition of the same investigation.
2. Providing standards which must be recognized as worthy of adoption, since they are the results of measurement.
3. Emphasizing the importance of teaching and of the transference of skill, which depend upon coöperation.
4. Showing that maintenance depends, in the final analysis, upon coöperation.

We have formulated our program for such coöperation into the following stages:

1. Each individual to apply scientific management to his own activities, individual and social.
2. Groups, such as industrial organizations, to apply scientific management to the group activity.
3. Trades to apply scientific management to the trade activity. This includes, ultimately, a reclassification and standardization of the trades, such as we have advocated in *Motion Study*.<sup>1</sup> The trades must be classified according to the amount of skill involved in the motions used, and must then be standardized in order that the necessary training for succeeding in them can be given.
4. Industries to apply scientific management to the entire industry, with coöperation between the various trades involved.
5. A national bureau of standardization to collect and formulate the data from all the industries into national standards.
6. An international bureau of standardization to collect national standards and to work for international coöperation.

America's immediate industrial position depends upon America's realization of the need for conservation, as demonstrated by scientific management, and upon America's use of such means of conservation as scientific management offers.

America's ultimate industrial position depends upon America's realization that the highest type of conversation includes coöperation.

Individuals, groups, trades, and industries have realized and are realizing more and more, daily, that it is for the good of all that

<sup>1</sup> D. Van Nostrand Company, pages 94-103.

common practice be standardized and that improvements take place from the highest common standard. Nations have not yet come to any great realization that this same principle applies to international relationships.

If America desires to gain and maintain leadership in industrial progress, she must be the advocate of industrial conservation and coöperation, and must be the example of that readiness to derive and to share standards for which scientific management stands.

## THE BASIS OF CONSTRUCTIVE INTERNATIONALISM

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One of the most striking features of the great crisis in its history through which the civilized world is now passing is the complexity and variety of important issues which are at stake. But among the great issues the greatest is that of safeguarding the development of international rights. The war opened with the denial of a right which lies at the foundation of a stable international system,—the right of a nation to be heard before it is condemned to the punishment of war; the progress of the struggle has witnessed the deliberate violation of solemn international treaties and conventions.

Such a situation is a challenge to civilization. International law no longer offers any trustworthy security, and our immediate duty is to face the problem not of its superstructure but of its foundations. It is only too clear that until these foundations are better laid than they are at present, the particular rights even of neutrals are not safe.

With this end in view it will be well first of all to define what is the object of the international polity. For the conception of this polity, though it is yet very imperfect even in theory, is involved in the idea of international relationships, and is necessary to their proper development. The object of the international polity may be defined as, first, to secure the existence of the individual nation states, and to this end to determine their relations one to another. So long as society continues to consist of a number of sovereign states of very unequal strength without any collective or international control, so long will some of its members be in a position of insecurity from the strength of others. To examine the field of national rights, to adjust them one to another, and to prevent the outbreak of a condition of affairs, *viz.*, war, which restricts and may put an end to international relationships, is the first object of the international polity.



The second object of the international polity is to secure that, when war has broken out, international agreements regulating the conduct of war, in the interests alike of the peoples of belligerent and of neutral states, shall be maintained.

Thus far it may be said that the character of the international polity is simply protective or preventive. But that cannot remain its sole character. Just as in Aristotle's famous definition, the state comes into existence to make the life of the individual possible but continues to exist to make it good, so the international polity comes into existence to secure the life of the nation, but continues to exist to make nationality good—that is to realize its potential qualities for good. In other words, internationalism ultimately will realize progressive functions by doing for national states what they cannot as well do for themselves. It will seek to assist the mutual development and coöperation of states, and to realize that harmony of interests which should be the aim of their political life.

Over against this present disruption or interruption of internationalism, it should be remembered that the past fifteen years have seen a very remarkable advance in the development of international organization. This is not the place to trace the various ways in which such expression has been given to the spirit of internationalism. But it is an important evidence of the growing recognition of the need of the international polity. And the present world-shaking war, while it has brought into ruins the fabric built up by international law and understanding, may yet be found to have advanced the real cause of internationalism even more than the preceding years of peace. For it has demonstrated more plainly than a hundred conferences of peace could have done the weaknesses in the present position of international development and the need of rebuilding on firmer foundations.

## I

Now what are the foundations which have to be examined? First of all, at the base of the whole structure is the question of sanction. It is not necessary here to draw attention to the difference in this respect between national and international law. That is well known to all students. But it will be useful to analyze briefly the nature and necessity of the sanction in international agreements.

It would show a lack of sense to fail to recognize the value of the moral influence as a sanction of international agreements. The moral influence, despite the events of the war, has been by no means a negligible factor, and the dishonoring of international agreements has brought on the transgressing parties a loss of sympathy and support which, though it cannot be measured in terms of men, munitions and money, has meant a very real cost. It has alienated the sympathy of neutrals, and it has awakened a burning sense of wrong in those who have directly suffered which has strengthened their resistance and given confidence of ultimate victory. No faith can rest on transgression, and faith is one of the elements of victory. There should be no room for doubt that the moral sanction is a real support to international agreements.

But more than the moral sanction is required. The moral sanction *should* find its expression in men, munitions and money. The punishment of wrong-doing, by economic restrictions and by armed resistance, is required to support the moral sanction. The economic boycott is a powerful weapon in the modern commercial and industrial world, and it should be a duty of those who are parties to international agreements to use this weapon against the transgressor and to inflict economic ostracism until expiation has been made. But the economic weapon, powerful as it is, and sufficient as it may be in many cases, is not always an adequate sanction. More direct methods are then necessary and recourse must be had to armed intervention by force. On the question of the relations of moral sanction and force there has been too often a confusion of thought. Force, it cannot be too plainly said, is in itself neither moral nor immoral. It is the use of force which is right or wrong. And there are occasions when, with the nation as with the individual, to fail to use force is to do wrong. There are sins of omission, and nations can be guilty as well as individuals. There is not one morality for individuals and another for nations. Where wrong is done it is a duty to stay the wrong-doer, by suasion if that can be, by force if suasion fails.

Therefore, behind international law there must be put the complete sanction of moral, economic and military pressure. Until such provision is made by international agreement to secure that transgression of the law shall be punished there can be no stable foundation of the international polity.

Let it be said, however, at once, so that this matter may be clear, that such a sanction does not necessarily involve an international military organization if by that is meant an international police or armed force. For reasons which need not be discussed here, it seems probable that it will be to the action of individual nations, controlling and determining their own military and naval forces, that the international polity must look for the support of its authority.

The first and for the present by far the most important question which has to be faced is, therefore, that of sanction, for the policy of "constructive internationalism" must be provided with an effective foundation of "sanction."

The second question is: what are the fundamental international rights for which the sanction exists? There has grown up a complex body of international rights and in examining the problem before us it is important to distinguish what are the fundamental rights which it is necessary to secure. The present war has enabled men to see this question more clearly, in that it has witnessed the denial and transgression of what we must postulate as the two fundamental international rights. First of all, there is the right of a nation to be heard before it is punished. Second, there is the right to the protection of established international law. If the right of a nation to be heard before it is condemned is denied, or if the international agreements upon which states have entered are set aside by the act of an individual state, then the basis of international political society is destroyed. Let us consider somewhat more fully this very important question, for as matters now stand we see that these foundations have been shaken.

The first and fundamental right which must be secured to each nation is that it shall not have war declared against it until the case for the defence has been heard by an international tribunal. Just as it may be said that, where the individual has not secured the right to have his case heard, there is no system of constitutional government, so, without this fundamental right of nations, there can be no secure development of the international polity. When one individual can take upon himself the execution of justice against another individual, or where the state condemns a man unheard, there is no liberty; so, as long as one nation can refuse to submit its dispute to public inquiry and can proceed without hindrance

to declare war against a weaker state, there can be no real international liberty. Fundamental as this right is, and wide as is the moral acceptance of it by states, nevertheless the fact remains that internationally the right of a nation to have its case heard before war is levied upon it has not yet been secured. The principle of "obligatory arbitration" has been accepted by the assembled nations at the Hague, but the actual treaties of arbitration, save in the case of a few states, reserve matters of "national honor, vital interests, and independence." There is no statutory obligation, if we may use this term, which binds nations to submit a dispute in a matter of "vital interest" to inquiry, much less to arbitration. Arbitration involves the acceptance of the judgment of the court, and on matters of the greatest concern sovereign states are not willing to surrender their independence of judgment and action. Arbitration makes too heavy a demand on the mutual confidence of nations. But the right to an inquiry before judgment is executed is something very different from arbitration. If an individual or a nation is condemned unheard, that is the very negation of liberty.

The second fundamental right of a nation is to receive the protection provided by the observance of international agreements. If in a society agreements are not kept, and if the breach of agreement is not punished, the basis of that society is destroyed. So also in the international sphere it is fundamental that agreements should be kept and that their breach should be punished. To admit the doctrine of national "necessity" as being above all and conditioning all international agreements is to destroy international security. This is a matter of principle on which there can be no compromise.

Such are the foundations of the system of international rights and of the international polity. What steps can be taken to secure these rights?

## II

A great advance has been made within the past year by the action of the present government of the United States in ratifying with this country,<sup>1</sup> with France, and with several other states, treaties which provide for the establishment with each of these countries of a permanent international commission to which all disputes, where diplomacy has failed, shall be submitted. That

<sup>1</sup> November 10, 1914.

step marks a practical contribution to the building up of the international right of inquiry which cannot be too gratefully recognized. It is a limited step, but it is the first step, and it opens the way towards developments which may complete and secure by effective sanction the recognition of the first and fundamental right of a nation to have its case heard. Those who have studied the history of international arbitration will recognize the wisdom of not attempting too much at one time. These treaties have prepared the way, and if, as we hope, the method of procedure which they have initiated is adopted by other states, there will grow up a network of treaties which will greatly facilitate progress.

But it is no disparagement to the value of such treaties to say that they mark only a first step. They go far to strengthen the chances of peaceful settlement of disputes between particular nations, yet the right of a nation to have its case heard is not thereby adequately secured. There are nations which may not agree to such a procedure, and the agreement itself lacks the support of an adequate sanction. No doubt in many cases the sense of honor is such as will secure the strict observance of the treaty. But it is very desirable that there should be behind such treaties, if they are to be extended into an effective security of the right of inquiry, the sense of a definite and visible sanction. What then is the next step?

Three years ago in a speech of March 13, 1911, in the House of Commons, Sir Edward Grey said, in speaking of the possibility of an unreserved treaty of arbitration between the United States and England:

It is true that the two nations who did that (*i.e.* enter upon an unreserved agreement) might still be exposed to attack from a third nation who had not entered into such an agreement. I think it would probably lead to their following it up by an agreement that they would join with each other in any case in which one only had a quarrel with a third power by which arbitration was refused.<sup>2</sup>

This is a noteworthy statement. It was made with regard to the right of arbitration, and not to the much lesser right of inquiry. It is well to observe, however, that such a step, postulating the system of separate treaties between single states, would involve a considerable extension of responsibility. To join with one other state against any third party is a *general* obligation, and the history

<sup>2</sup> Hansard, Vol. XXII.

of international development shows us that individual nations are averse to undertaking such wide risks as this provision against third parties may involve. A state if it were bound up by such an obligation might find itself involved in a dispute with some third state with which it had perfectly good relations. Furthermore, it will be seen that in such a step there is implied the idea of sanction expressed in the term of both states "joining" against a third party. It should, however, be kept in mind that all which is here being considered is the right of a state to an international hearing before force is used against it, and this is a right which civilized nations should be prepared to support.

But something more is desirable and should be attempted than can be satisfactorily provided by treaties between two individual states. Has not the time come when all states which recognize the fact that the right of inquiry is fundamental should unite together to assert this right and to declare that they will resist any power which refuses to submit its dispute to international inquiry before proceeding to war? By international inquiry, is not necessarily meant a court mainly representative of "other" nations. Where two states which have a matter in dispute agree upon a court of inquiry, that is sufficient. But just as in industrial matters where any two parties at dispute cannot agree upon an arbitrator the state should have the right to appoint, so, where two states cannot agree as to the court of inquiry, an international authority must have the right of instituting the court. What therefore seems to be clear is, that while it would mark a further advance if any two states, such as the United States and England, agree to support each other against any third party which refuses to submit its dispute to inquiry, it would be a still better and sounder method of advance if a general agreement were made between all states which are prepared, (a) to submit any dispute among themselves to inquiry, and (b) to support any member of this group against a third party who refuses inquiry before hostilities.

Such a general agreement should be open to all states which are prepared to enter upon it. But if it is to be effective it must have behind it a definite obligation on the part of the signatory states to support by the full weight of their resources, moral and material, the disregard or denial of this fundamental right. A union of states so constituted forms the best foundation for the develop-

ment of the international polity. It provides a system of mutual insurance. While one or two important nations must take the lead in such a policy, we venture to assert that it would win at once the loyal support of some at least of the great powers and of many of the smaller states. Indeed it may well be that all states would sooner or later agree to accept this position. It would be a union of a defensive character. It would not be formed against any state. If, however, any state or group of states refused to acknowledge such a right, the ground for the existence of such a union becomes all the more imperative. For it would reveal how futile and how dangerous the attempt would be to build up again an international system without securing the foundations.

If such an agreement then can be realized, time may bring mutual confidence between the nations and a respect for the judgments of the courts of inquiry, which will lead to the adoption of the principle of arbitration. But it may even be found that the system of inquiry and conciliation achieves the result which arbitration proposes to attain, and that it does so by methods which are much more acceptable to the nation states and may even avoid miscarriage of justice against which arbitration itself cannot offer any absolute security. For inquiry and conciliation is a much more elastic method than that of arbitration. In certain international disputes, on matters of a strictly juridical character, arbitration has shown itself to be the right and proper method. But in the wider and more difficult field of political relations, the method of inquiry and conciliation offers the soundest and safest line of progress.

There is then this broad foundation for constructive internationalism, namely, an agreement between states: (1) that they will recognize the obligation to submit all disputes between themselves and any other state to inquiry before declaring hostilities, and that they will support any state which recognizes this obligation against a state which threatens aggression and refuses to submit its claim to inquiry; (2) that they will respect and observe international agreements and conventions; and (3) that they will unite to protest against, and if protest is without effect, to punish by economic action or by armed intervention, the disregard of such conventions.

## III

If we have seen aright what are the foundations of the international polity, it may be profitable to consider briefly some of the developments which it may be possible to build on such foundations. For it is only as a fuller vision of the international polity reveals itself to us that we can seize the importance of the whole question of international development. The right not to be condemned unheard is a very real gain especially to the weaker states. But arising out of it is a larger question which, even if the times are not yet ripe, it is none the less useful to state as a problem. The end or purpose of the international polity is to protect the rights of states and to develop friendly relationships and the spirit of mutual help. As then the object of international control and organization is to assist the proper development of nationality so it may come within the scope of international action to guarantee the right of independence which is the foundation of national existence. Already in the case of Belgium, and of certain other states, independence has been guaranteed by European treaties, and while at the present it may seem to many that such international guarantees have proved unavailing, it would be surely a grave mistake to think that the policy of neutralization has failed. Rightly seen, the doctrine of neutrality is a step in the direction of securing peace for small states holding what would otherwise be a very exposed position. This subject has been well expounded by Professor Charles de Visscher,<sup>3</sup> who has pointed out how that these neutralized states have marked an advance in the international organization with a view to peace. Because such a step has not yet realized the desired results, it is no proof that the policy is wrong. On the contrary, a considerable extension of the policy of neutralization, provided it is supported by a sufficient sanction, is a definite step towards peace. But, as Professor de Visscher has pointed out, the guarantee of neutrality does not remove from the guaranteed state the obligation of preparing for its own self-defence, and one of the conditions which should accompany an extension of the policy of guaranteed independence is that the neutralized states should assist in the work of protecting, not only their own, but also the independence of all other states so guaranteed.

<sup>3</sup> "The Neutrality of Belgium," *Political Quarterly*, Oxford, February, 1915.



This question at least deserves to be asked: should not the international organization undertake to guarantee the right of independence of small or weak states in a more definite way than has been hitherto done? No doubt it has been a principle in the foreign policy of the United Kingdom to support small states, and no less it can be said that the United States would look with intense distrust and indignation on the action of any powerful state which threatened the national existence of a small neighbor. But the time has come when it is important to see whether the right of nationality cannot be further strengthened and secured. Such a measure would certainly bring to any powerful and trusted group of states the friendship and support of the smaller states whose independence may be threatened. We have only to look at the history of the smaller states of Europe to see how important such a question is.

A second illustration will serve to indicate further the wide sphere of right on which sooner or later the international polity must enter. The study of the complex problems of European international relations has revealed more clearly than before the importance of what may be called the right of "economic access." It is evident that when the settlement of Europe after the war comes up for consideration one set of cases which will present no little difficulty is that of the possession of certain seaports which are of vital consequence to different and it may be rival nations. The ports, for example, of Danzig, Trieste, Salonica, and similarly, the control of Constantinople and the Dardanelles, illustrate the difficulties which arise. If there is to be an exclusive national possession of such strategic positions, unless rights of equal economic access are guaranteed to the nations which are excluded from these gateways of commerce, they will remain a permanent source of friction. So long as political interests impede natural developments, so long there will be unrest. Nations should have the right of free access to the world. No state should be allowed to penalize or differentiate against the produce of another nation which has to pass through its territory on the way to other markets. It is and should be within the rights of a sovereign state to determine the conditions on which the goods of any state may or may not enter its territory for consumption, but to prevent or even to penalize the goods of a state passing through its territory on the way to the

markets of the world is a matter which should be beyond the competence of any state. The simple expedient of transit in bond should be guaranteed by international agreement.

The security of the right of economic access will remove many particular causes of friction between nations, and it opens the way for far-reaching considerations. The function of the international polity is to secure that just rights are conceded and, while guaranteeing to nations their independence, to see that independence is not used to thwart the natural development of other states. If commercial rights of access are granted, the ground for political hostility is at least greatly minimized. But where a nation refuses coöperation and controls a potential access which it does not use, there is a natural grievance which sooner or later will prove to be a danger. It is in this respect that international control can come in to arbitrate between powers, to secure that there is the proper give and take, to distinguish between what can and cannot be fairly granted, and to seek to develop the mutual interests of states.

And there is a still wider problem connected with these economic rights. So long as there were fresh lands to occupy, the world was in a stage of development in which national rights of occupation were admitted. But we have reached the stage when all the available lands have been mapped out. Wherever then there are lands occupied, but not developed, there will be a growing pressure against such mere rights of occupation. More and more it will be seen that only effective use will justify the claim of occupation. Moreover, it is evident that just as in the sphere of the rights of individual property important modifications are being made conditioning and controlling these rights, so in the sphere of the colonies and protectorates which nations have acquired there must enter an element of international right which has not been hitherto pressed. No nation can in these days seek to monopolize for itself large and important tracts of the world to the exclusion of other nations. We are coming to a parting of the ways in which, if there is not to be a development of equal rights for all, we shall be faced with the situation of the "haves" and the "have-nots" among the nations. These are great problems on which it is not possible to enter here, but they are mentioned for the purpose of indicating the sphere of the international polity, and of showing

how vital it is that the first steps in the foundation of that polity should be wisely and firmly laid.

We are indeed as yet only in the first stage of the developments of this greater polity. But every development in international relationships, in international law, and in public international opinion is a mark of the presence of the international state. And on its progress depends the real guarantee for peace. For it is only by the progress of constructive ideas of international right that the permanent security of national rights is to be found and that the way of peace among nations can be broadened and strengthened. As society advances in its conception and realization of international relationships, as the international polity becomes clearer to men's view, so is the hope of peace increased. With each wider and higher stage of political organization peace is secured within the new polity; and if within the polity itself war may break out, that internal survival of recourse to armed strife becomes more and more rare in the history of men. The realization of a bond of union—be it the full sovereignty of the national state, be it the single link of a customs union binding a group of national states—is a great earnest of mutual peace for the members of that state or union. There is no secure guarantee of peace short of the international polity. We need, therefore, to postulate as the foundation of international relations the idea of the international polity or international state, however imperfect even in theory this conception may be. If this is not done we fall into views based on what is a narrow, selfish, and dangerous nationalism. Every nation should be the guardian of international rights, and one of its most sacred duties should be to adjust its nationalism to these international rights. Today, the public, political mind has been awakened as never before to the gravity of these problems. The witness of the breakdown of international agreements and of the inadequacy of international sanctions has led to the asking of questions which are a necessary preliminary to the growth of a more stable and effective internationalism. For this reason in the very failure, as it may seem, of international control up to the present, there is a hope for the future of seeing more clearly what are those steps which must be taken if international control is to become real and effective. The very existence of this widespread emergence of inquiry is a political psychological factor of great importance. For

it is well to recognize from the outset that in the field of international development the part which public opinion has to play is one of the greatest significance. The problems of international right and of international control are, in their most important aspects, questions of a simple but fundamental character. They are matters not of the intricacy which diplomacy presents, but issues which, because they are so deep and fundamental, appeal straightway to the ordinary citizen. International law which has been a study of the Chancellery and the Academy, has become a question of the market-place. Not that the workman or the man of business expects or desires to master the intricacies of the questions which international lawyers and diplomatists have elaborated, but simple fundamental issues of right have been raised which awaken in all who have developed the civic sense an interest and a demand for judgment such as has not existed before. Questions of international right, because of their gravity and urgency, have become to us real and present.

There is now, therefore, an opportunity as there has never been before of making progress towards a constructive internationalism which will be the best guarantee of peace. But it will require strong and wise leadership. If the United States and England are prepared to step out boldly in the cause of international peace there is a good hope that many other states, great and small, will follow their lead. The opportunity should not be lost. The first step is to secure that as many states as possible do agree to submit their disputes one with another to inquiry and to forswear hostilities until a report on the causes of dispute has been received. Secondly, this union of states should undertake mutually to guarantee each member of the union against any third state which has recourse to hostilities before submitting its dispute to inquiry by an international court. All treaties made by states which enter such a union which are inconsistent with these conditions should be denounced or modified so as to make them compatible with the principles on which this union of states is based. Third, this union of states should uphold with all its resources, material and moral, the security of international agreements.

## HOW AMERICA MAY CONTRIBUTE TO THE PERMANENT PEACE OF THE WORLD

BY GEORGE W. KIRCHWEY, PH.D.,

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How can America—how can the United States—contribute to the settlement of this war in such a way that we may hope for an extended reign of peace, if not for permanent peace?

I will confess to you that I would not have come before you if I hadn't believed that there was something that we could do, something that we could propose, some concrete aim that might be promoted by our assembling here tonight and talking this matter over. What is it that we can do?

In the first place, let me say that I believe it to be as true today as it was yesterday, as true in international concerns as it is in all our other affairs, that the kingdom of heaven cannot be taken by storm. We shall not, by any trick or device of statesmanship, achieve a permanent and enduring peace at the end of this war. If we shall have advanced the cause of permanent peace by a single stage on the long journey that lies between us and Utopia, we shall have done well. I have spent much time during the last few months with some ardent spirits—lovers of peace, men and women of goodwill—in the hope of determining how best we can bring the public opinion of the United States to bear, with a view to the termination of the war when the proper time for that shall seem to have arrived and with a view to aiding in the creation of a public sentiment in Europe which will result in a decent, magnanimous and not a predatory and defective peace, a peace which will not sow dragon's teeth of future wars, and which shall also picture to the bankrupt statesmanship of Europe the desirability of nations living together in concord; perhaps even of modeling their institutions more upon those that we have established on this side of the Atlantic, looking forward toward that federation of the world to which the poet has pointed the way. But the more I work with these groups of incurable optimists, the more convinced I become that salvation does not lie in any attempt to realize such large aims as that in such a direct

and immediate way. I feel more and more that the problem is one of civilization. The process that will lead us to peace and civilization is a long process, one in the education of experience. But in the meantime what can we do to forward it?

Let me mention one thing that I think we should not do. I do not believe that we, the people of the United States, should join with any power or group of powers in Europe with a view to maintaining the peace of the world by the sword. In the first place, I believe profoundly in the truth of the saying that he who takes the sword shall perish by the sword. I do not believe that any good thing is ever accomplished by violence. In the second place, if it is a good thing for Europe to maintain peace by military force, it is a good thing for us to keep out of.

It has been well said that the governments of the world are in a way superfluous, if not artificial, survivals from—was it the Stone Age? Some prehistoric period, anyway. That the real government of the world is an invisible government made up of the great industrial and intellectual and moral forces which actually control the actions of men. Superimposed upon this invisible government we have these relics of mediaevalism, our political and military governments, which have very little function left excepting to plunge into chaos this modern world which they do not understand. The world—the modern world—has become a great industrial commonwealth, one single web woven of a thousand million strands of mutual interests and mutual sympathies, and the question for us is: What can we, the people of the United States, do to preserve the integrity of that web?

I believe, in the first place, that we can best do it by keeping our own part of the web from disintegration. I believe that we can best do it by maintaining our tradition of peace and our habit of peaceful living; by setting our faces resolutely against every incitement to militarism, from whatever source it may come; by refusing to be stirred by panic cries of danger when there is no danger; by remembering that from our geographical position, from our relations of amity with the whole world, we are as safe from attack as any nation ever has been in human history. The point that I wish to insist upon is this: that we must not be driven by panic into adopting an attitude of militarism towards the rest of the world, as the nations of Europe were driven by panic into the militarism which finally

resulted in this war. In that way destruction lies, and nothing but destruction. We are, then, to maintain our position as a pacific, peace-loving people.

And in the second place, we are, by virtue of our position in the world, the great neutral, as well as the great pacific, power. As such we owe to all other neutral peoples a duty—the duty of leading them in the ways of peace—of coöperating with them in the great work of making the world a world in which a nation shall be free to lead a peaceful life without undue interference from nations that are still dominated by the war spirit. And it seems to me that this duty cannot be properly discharged by us if we continue to work alone and for the protection solely of our own national interests; it requires us to get into close working relations with all other neutral peoples, to enter into conference with them with a view to common, concerted action for the protection of neutral rights and interests.

In the third place, we are, in a peculiar sense, trustees of one of the chief goods of civilization, the international law of the world, that body of rules and principles which represents what Gladstone called “the public right” of Europe and the civilized world—perhaps the greatest achievement of the international mind, during the last hundred years. This public right has no sanction, in the strict legal sense. No military force, no international police stands behind it, to give it power. It rests solely upon the public opinion of the civilized world—and the public opinion of half the world is paralyzed by war, and that of the other half is benumbed by fear or by indifference. It is for us, I believe, to come out into the daylight, to take our place in the sun, and to stand for these violated principles of international law, to the end that public right shall not perish from the earth.

Then, lastly, there is another function which the United States may well perform. We are on terms of growing intimacy, arising out of a growing understanding, with the other republics of this western world. It seems to me that we shall do more for the cause of durable peace if we begin by creating an international community in the Americas, which shall be held together by the binding ties of peace, amity, mutual interest and good-will. In other words, I do believe in a league of peace, provided it is a league of peace in which it is proposed to live by peace and not by war; and it seems

to me that we are in a position to create such a league, perhaps first among the republics of this western hemisphere, the Latin American states with ourselves, and then, next, with all other neutral powers or rather, shall I say, all other pacific powers, those that have laid aside, if they ever cherished, the fatal ambitions of national greatness, to be promoted by violence and force, which have brought the greater part of Europe to its present pass.

Therefore, I propose as the methods by which we may hope to contribute to the permanent peace of the world: First, that we shall at all hazards and in the face of all dominions and powers, steadfastly maintain our honorable position as a pacific nation, a nation that seeks her ends by the righteous ways of persuasion and good-will and not by force of arms; second, that we shall, as soon as possible, enter into close relations of amity and, if possible, into a durable league of peace with the other states of the western world; third, that we shall, without delay, enter into conference with a view to some such permanent relation with every other neutral and pacific power; and, lastly, that we shall do everything that lies in our power to build a new international law, remembering that the world—the real world in which we live and move and have our being—has become industrial and, therefore, peaceful, and that war—once the normal condition of man—has become abnormal, an anachronism to be outlawed; and, therefore, that this new international law shall not be written, as international law has heretofore been written, by belligerents for belligerents, but that it shall be written from the point of view of the neutral powers and in the interests of neutrality and peace. What that may mean in the way of enlarging the isles of safety in the world, the areas of land and water permanently dedicated to peace, what in the way of freeing neutral commerce, no one can yet say. Nor can we have any assurance that we shall be permitted to play an important rôle in the conference which will settle the terms of peace at the close of this war. But this, at least, is certain, that we cannot be excluded from any conference which shall settle the international law of the civilized world, and it will be there that we shall make our impress and exert a real influence in the direction of an enduring peace.

You will observe that this is a modest program; that it does not bring us very close to the millennium. It will take us only a step or two in that direction. I conceive that there will still be wars and



rumors of war in the years to come. But I hope and believe that the Europe that will emerge from this catastrophe will be a chastened Europe, and that the belligerent nations will make a serious effort to live together, and little by little form the habit of living together, in peace and amity. But whether that comes about or not, and whether we can by our example and precept contribute to that end or not, the fact remains that it rests wholly with us to determine whether we shall be a pacific nation in the future, as we have been mainly in the past, and whether we shall or shall not extend the area of peace by drawing within the circle of our amity and concord the South and Central American states and the other nations of the world that choose to walk hand in hand with us in the ways of peace.

## HOW CAN AMERICA BEST CONTRIBUTE TO THE MAINTENANCE OF THE WORLD'S PEACE?

BY G. LOWES DICKINSON,

Fellow, Kings College, Cambridge, England.

In putting down my views on this subject I am not unaware that it is a delicate matter for a foreigner to make suggestions to citizens of another country as to the principles on which they should conduct their affairs. My excuse is the importance of the subject to the world at large. I will not, therefore, waste time in apologies, but will state briefly such views as I have been able to form, at a distance from the scene and without the advantage of conversation with leading Americans.

The conclusion of this war will be, in my opinion, the great turning-point of civilization. Either we shall move henceforth seriously and deliberately in the direction of peace, or we shall move to a continual increase of armaments among the nations already armed, the arming of those that are not armed, and, in particular, of the United States and China, and a series of wars in which civilization itself may be engulfed. Which of these alternatives will be adopted will depend, to a great extent, upon the influence the United States may be able and willing to exert at the peace settlement. I have always thought that the most hopeful issue of the war would be a peace made by the intervention of President Wilson, and followed by a congress at which he should preside. The United States is the one great nation not directly interested in the outcome of the war, not seeking increase of territory, or prestige, or power, not inspired by the desire for revenge. Of all the governments that may be concerned with the future of Europe, and therefore, of the world, yours is the only one likely sincerely to take the view of the peoples instead of that of the militarists and diplomats. And the imperative condition of peace is that the view of the peoples should be heard and acted upon for the first time in history.

The congress at which I hope to see the United States occupy a leading position, should be one where all the European states, not only the belligerents, should be represented. The belligerent

governments are not to be trusted to aim at a permanent peace. Their representatives are not likely to have the imagination to conceive such a purpose, nor even the desire to pursue it. They will be, indeed, in all probability the same who made the war. But the neutral powers may be trusted, I think, to be favorable to a radical change in the spirit and organization of European diplomacy. And a strong lead given in that direction, as it might be given by the United States, would be likely to be backed by the British government and by the better elements of public opinion everywhere. Everything, in fact, will depend on the impulse given. And that impulse could be given with the greatest force and the greatest disinterestedness by the United States.

The business of the congress would be twofold. First, the settlement of the questions arising immediately out of the war. Secondly, the creation of a new international organization. The first point will deal mainly with territory and indemnities. What territory will actually come up for settlement, only the military result of the war can determine. And it is probable, though not desirable, that the matter will be arranged between the belligerents, in the preliminaries of peace. The detailed settlement, however, should be left to be carried out by an international commission, under the guidance of principles laid down by the congress. And the United States would, no doubt, throw all its weight on the side of the principle that in any transfer of territory the interests and wishes of the populations concerned should be the only point kept in view. With regard to indemnities, they should not be penal, but belligerents whose territories have been invaded and ravaged should be awarded compensation.

It is, however, with regard to the future that I should hope the most from the influence of the United States. The congress ought not to dissolve without substituting for the system of alliances under which Europe has been suffering an international guarantee of peace. I have already put forward, elsewhere, at some length, the form I think such a guarantee might take. It should be, I think, a treaty agreement between the powers to submit their disputes to arbitration, or conciliation, before taking any military measures; and the treaty shall be backed by the sanction of force, in case of a breach by any of the signatory powers. I do not myself propose an international force nor an international executive, though there

are many who put forward such proposals. But I think the powers should be bound to apply joint pressure, if necessary, by their national armaments, to guarantee the fulfillment of the treaty.

If such a scheme, or any more drastic one, is to be adopted and to be successful, I believe it to be, if not essential, yet very important, that the United States should be one of the signatory powers. And it is here that I see the great problem and the great choice for the American people. Will you be willing, in the interest of peace, to depart from your traditional policy of non-intervention in European disputes, with the chance of being involved in hostilities over a question which, in the first instance, is purely European? Your intervention, it may be suggested, might take the form not of armed force, but of a refusal to trade with a power that should break the treaty. But such refusal would of course mean economic loss to your country. As far as that is concerned, it would be a question of balancing such loss against that which must fall on neutrals, no less than on belligerents, if war breaks out. But such questions are not and should not be decided merely on grounds of economic interest. The American people would have to decide whether they care enough for peace to take risks for it. And on their decision may depend the possibility of peace. The alternative seems to be an America unentangled by agreements with European states, yet progressively arming herself to meet possible menace from them. If that course is adopted by the United States, most probably the European states will continue the system of armed isolation or alliances. And the question will be, not whether there shall be another war, but simply when it will break out.

If a council of conciliation such as I have elsewhere suggested should be set up, to that council should be referred not only actual disputes but burning questions such as are certain to lead to disputes. These all turn, I think, on race and trade. Both these kinds of question lie behind the present war: race troubles in the Balkans, and trade rivalry in Morocco and elsewhere. There is, I believe, no ultimate solution of such questions other than complete toleration, political, social and religious, wherever different races are included in a single political system, and complete freedom of trade and of immigration. The enormous difficulty of such a solution, and the mass of prejudice and interest against which it would have to contend, are at least as patent to you in America as to us in Europe.

It must be a long and difficult campaign to change public sentiment. But the campaign would be sensibly assisted if an impartial international council should consider the whole situation in time of peace, and suggest possible lines of settlement. The adoption, for example, of the policy of the "open door" in all undeveloped territories would obviate much of the friction that makes for war. The great question of the immigration of the colored races into territory occupied by white ones is more difficult. Yet the ventilating of it by an impartial international body and the focussing of the public opinion of the world upon reasonable compromises might do much to prevent the outbreak of war over issues no war can permanently settle.

In these brief notes, I have, I hope, shown clearly the importance I attach to the action that may be taken by the United States at the conclusion of the war. Naturally I do not presume to advise. But I think the mere facts of the situation show that upon the action your country may be able and willing to take may depend the whole trend of western civilization. And in trying to show that, I have, I think, accomplished the task I was invited to undertake.

## AMERICA'S POSSIBLE CONTRIBUTION TO A CONSTRUCTIVE PEACE

BY MORRIS HILLQUIT,  
New York.

The time has passed when two or more great nations could wage war without involving the rest of the world. Today the international organism of human civilization is so delicately attuned that the slightest disturbance in any of its parts immediately communicates itself to the whole body.

The United States can no more be indifferent to the frightful ravages of the European cataclysm than the brain of a man can be indifferent to an acute disorder of his heart. We are united with the leading countries of Europe by intimate and vital ties. Every economic or social improvement, every scientific or spiritual advance and every progress of the arts on the other side of the ocean, raises our standards of thinking, feeling and living, and every retrogression in these fields of human endeavor checks our own progress, deteriorates our own worth.

The war, which is fought on battlefields more than three thousand miles removed from us, is disarranging the entire social and industrial fabric of this country. We are involuntarily drawn into the maelstrom of the war in everything but the physical fighting.

I hold that the United States has vital interests and imperative duties in this war, and should exert every atom of power to bring about a speedy and lasting peace between the nations.

How can this great task be accomplished?

There are three main channels through which modern countries interact on each other—political, economic and spiritual. If the people of the United States have the power to influence the belligerent nations in favor of a cessation of hostilities, such power must be found in one or more of these channels; and I maintain that we may exercise a decisive influence on the destinies of the world-war in all three directions.

Politically the nations are almost equally divided into belligerents and non-combatants. One-half of the world is under arms,

striving for mutual extermination, while the other half witnesses the inhuman spectacle with impotent dismay.

If all the nations at peace, all American republics and all neutral powers of Europe and Asia, would join in a definite and urgent offer of mediation, the proposal would come with such commanding moral force that it could not be long ignored by the belligerent powers.

Every neutral country is deeply and disastrously affected by the war and wishes to see peace. But the world is inert and inactive for lack of leadership. It is this leadership which we must assume. The United States is the largest, most powerful and influential of the neutral nations. It is also the most independent and secure. It is naturally placed in a position of leadership in this world-crisis. Our government could properly take it upon itself to organize a council of all neutral nations, a modern "International Concert of Powers" to conciliate the warring nations and not to relax in efforts until peace is finally and firmly established.

This may be a rather unconventional step in established diplomatic procedure, but the world has never faced a crisis as great as that through which we are now passing. The extraordinary situation calls for unusual methods, bold measures and big men.

Economically we have it within our power to minimize the ferocity of the European slaughter and perhaps to shorten its duration by cutting off our supply of arms, war equipments, ammunition and credits from all belligerent countries. It is barbarous enough to set the engines of industry to work manufacturing instruments for the assassination of an "enemy," but it is criminally culpable to produce such weapons for the killing of people with whom our country is supposed to be at peace. By furnishing arms to the belligerents we take an active part in the direct hostilities, and our part in it is all the more hideous and revolting because it is a cold-blooded traffic for profit. It is urged that if we refused to export arms and ammunitions, it would aid Germany as against the allies, and result in increasing militarism in Europe because each country would be forced to increase its production of military supplies in times of peace. These arguments bear on their face the trade-mark of the armor-plate works and are as full of holes as the main products of these works. The fact is that our broadminded manufacturers of war supplies sell indiscriminately to both sides, and the chances are

that wars would be rarer and milder if each country had to depend on its own resources for waging warfare.

Morally we may influence the course of the European war by our general attitude. Our people, and particularly our press, are too much inclined to view the appalling tragedy on the other side of the Atlantic in the light of a sport. We follow the moves of the hostile armies with an interest akin to that which we feel towards a fascinating chess play or an exciting ball game. We pick the winner, we take sides. In the people of the belligerent countries such an attitude is excusable. War is a pathological state and creates a morbid psychology. But we have no such excuse. Our press, our pulpit and our lecture platforms should resound with emphatic protests against the wholesale carnage and with consistent and persistent councils of peace. Our views and sentiments are instantly communicated by the electric spark to the entire world. We speak daily to the people of Europe—let us speak to them of the horrors of their war and of the blessings of peace, and eventually they must hear us.

But there is another and greater moral service which we may render to our unfortunate fellow-men in Europe—the service of example.

This war will end some day. Whether peace will come sooner through neutral influences, or whether it will come later as the result of the physical exhaustion of the combatants, come it must some time. And when this greatest of all wars in history will be over, the world will have its greatest opportunity for laying the foundations of eternal peace, of a civilization worthy of the name. This war is bound to have a great sobering effect upon mankind. It has robbed warfare of its romantic halo and has revealed it in all its ugly and brutal nakedness—a mutual butchery by factory methods, a general carnage on land, water and in the air, a prostitution of all the sciences and arts to the task of destroying human life. It has demonstrated the ruinous character of the policy of imperialism and the dangerous fallacy of militarism.

When the smoke of the battle will be cleared, and the masses now in the war will cast their eyes around them, they will encounter nothing but ruin and devastation, nothing but evidences of madness, savagery and shame, the total and fatal collapse of a false civilization based on the philosophy of the jungle, on the rule of the claw

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and the fang. They will find but little comfort, little promise in old Europe. They will turn to us, the great democratic republic in the new world, which alone of all great world-powers has managed to preserve sanity and peace. What shall we offer them? Shall it be the old, destructive gospel of armament, "preparedness" and militarism, or shall it be a message of peace, a promise of a better, saner civilization? By our own example of peace and good-will we may help to usher in an era of brotherhood into the history of the human race. This is the signal opportunity that the great world-crisis offers us. Let us not fail.

## HOW CAN AMERICA BEST CONTRIBUTE TOWARD CONSTRUCTIVE AND DURABLE PEACE?

BY CHARLES W. ELIOT,  
Cambridge, Mass.

In accordance with your request, I send you a brief answer to the question "How Can America Best Contribute toward Constructive and Durable Peace?"

1. The United States can teach by precept and example that no nation should endeavor to establish by aggressive war dominion over any other state large or small. It has already twice abstained under trying circumstances from adding to its territory by conquest, once in Cuba, and once in Mexico, and is entitled to assert steadily that aggressive war is not an available means, in the present state of the world, of settling international disputes, or of extending national power.

2. The United States, as an original advocate of the doctrine of exemption from capture of private property at sea, may now properly maintain that all seas, and all canals or channels connecting great seas, should be free to the commerce of the world, and that this freedom should be placed under international guaranties.

3. The United States should urge for general acceptance John Hay's policy of the "open door" as the best means of promoting the trade of all manufacturing peoples—Occidental or Oriental.

4. The United States has no desire to hold colonial possessions by force, or to govern subject peoples in any part of the world, and can, therefore, contend and hope for the general recognition of the principle that the only enlargements of national territory worth having are those brought about by consent and with good will and, therefore, likely to become bound to the central or parent state by the sense of mutual service and advantage.

5. The United States has advocated arbitration as a means of settling international disputes, and has itself resorted in numerous cases to the method of arbitration as a means of settling its own disputes with other nations. Recent events, however, seem to prove beyond question that the major cases of international strife

are matters which do not permit of either arbitration or conciliation, because they originate in racial or religious differences, hot commercial competitions, or other popular emotions and passions. The court contemplated in the Hague Conferences has always been of an arbitral nature, suited for composing disputes on minor points which permitted of compromise. The United States should hereafter use all its influence toward the creation of an International Council capable of securing a permanent peace, and created by fresh international treaties.

6. Since such a Council would be ineffective unless supported by an international force, the United States ought to prepare to furnish its full quota, in proportion to its population and its wealth, of the international naval force competent to prevent any interference with the freedom of the seas. This quota should be of the highest possible efficiency as regards types of vessels, ordnance, munitions, and skill of officers and men.

7. The United States should use all its influence in international discussions to substitute frankness and honesty in negotiations, amity, mutual forbearance, coöperation, and stable international peace in place of secret and cheating diplomacy, enmity, domination of the strong over the weak, injustice, and recurrent war.

8. When a Supreme International Council or Tribunal has been established, the United States can urge consistently with its own practice that national armaments should be reduced, and that the practice of fortifying frontiers and cities should be abandoned.

## ACQUISITIVE STATESMANSHIP

BY W. MORGAN SHUSTER,  
Washington, D. C.

I am not going to discuss the neutrality of the United States. It is, I presume, in good hands. At any rate, we cannot alter it. It *was* in good hands when Judge Moore had something to do with it. I wish to say a few words on the very elusive subject of the right of small nations to independence. This sounds something like a joke, after a review of the history of the past fifty years; yet our friends of South and Central America ought to be interested in it, at least academically. The fact is that the denial by us at times of that right, and the refusal of all the other leading civilized nations of the world to observe it, is what has been the real cause of all the wars of the last century. Each nation, in denying it, can always offer good pretexts to its own people and to the rest of the world. You cannot catch up with the modern international diplomat. He is always three leaps ahead of the rest of the people. A government may do anything if it has carefully prepared to issue the proper bulletins on the subject afterwards.

Let us begin with ourselves. The United States has been guilty, during the past 140 years, of several breaches of the ethical right which we are discussing. We must freely admit that fact before proceeding to criticize others. Doubtless we played the game on quite as high a plane as the international standards of the different epochs involved seemed to require. We evidently believed in the fundamental justice of the law of conquest. Certainly up to very recent times it has been well recognized that when a nation went to war with another it might take the other's territories or its colonies, among other things. And we have done it. Sometimes we have done this without going to war and sometimes by going to war. Of course there are many other nations which pursued this course on a larger scale, and there are other nations which circumstances prevented from doing it to so large an extent as they wished. These facts practically caused the present world struggle.

I do not believe at all in Peace Societies. I gladly and freely acknowledge the sincerity and high-mindedness of their work; I mean I do not believe that they are on the right track. You cannot make people stop fighting for loot simply by preaching godliness to them. If they were godly, they would not be fighting for loot. Then there are gentlemen who are so Utopian as to believe that we might create a red, white, blue, pink, green and yellow international police force, composed of warships and armies contributed by the various civilized nations of the world—I suppose on a per capita basis—and that after establishing a supreme arbitral tribunal, with this, I do not like to say motley, naval force back of it, wise and just decisions of all kinds in cases of international disputes could be effectively enforced. I do not think that the idea is practical. I cannot imagine, with patriotism defined and taught as it is today, with our civic education following the lines with which we are familiar, any ordinary person committing treason against his own country (and in time of war, of course, treason is defined as bearing arms or taking service against one's own flag); nor can I imagine that an international police force composed of ten or twelve different races and nationalities would bring about anything but ample opportunity for dispute, even in time of peace.

There remains the proposition of disarmament as a means of bringing about peace. After all, whatever we may start to talk about, what we are thinking about is peace—permanent world peace. There are people who sincerely believe that if the strong nations disarmed, or partially disarmed, continued peace would be rendered more possible, or more probable. History does not indicate anything of the sort. I have been unable to discover in my leisure moments the case of any nation which, unarmed, has been treated with more careful consideration by any other nation or nations because of the former's defenseless situation. There may have been such instances, but they are not recorded in history. Perhaps the Chinese Republic is the best example of an unoffending, unarmed and unaggressive nation, but it is suffering bitterly at the present time. So that, while it is true that great preparations for war, great armies and powerful navies, may set the hair-trigger, may render it easier for the ruling powers to bring about war, if they so desire, because the nations feel so well prepared for it, it is equally true that lack of preparation for defense has never pro-

tested any nation or people in the world, and it would be a very dangerous experiment, it seems to me, for the American people to endeavor to test out that theory just at this particular time. We have then the idea of a supreme arbitral tribunal which requires an international *posse comitatus*, as Colonel Roosevelt has suggested, to enforce its decrees, and we have the idea of disarmament, and I declare frankly, as a lover of peace, that I do not believe that either of the plans would produce peace. The question therefore becomes whether there is any tendency towards peace which we could further or encourage. I think that there is, if we are ready to face it.

I believe that the cause of every war in the past century, and many before that, has been acquisitive statesmanship, the wrongful lust for land, and the commerce and advantages flowing from it. It is the basic cause of the present war. There is not a nation with even a fifth rate statesman which cannot offer a perfectly good pretext for going to war; and, unfortunately, most of the people in the country always believe the pretext put forward by their own statesmen, and pay no attention at all to any arguments advanced by the other side. The result is that we have the almost incredible spectacle of eight or nine different nations, of relatively high civilization, ranged in a death struggle against each other, with the people of each nation sincerely believing—90 per cent of them at least—that its cause is just. It is not of any real importance whose cause is just, because it may well happen that the really just cause, practically speaking, will be defeated by the greater number of men, ships and cannon. The important point is: what state of diplomacy or what state of education exists in the world when nine nations can go to war, with not only the statesmen but the mass of the people of each believing that it is right? There is only one possible explanation, in my opinion, and that is that the people of those nations are in reality fighting for something very much nearer to them and more tangible than a theory of academic justice. The war has been put to them on racial lines, or on religious lines, or on the line of altruism, or on the line of the upholding of treaties, but the fact is that the real appeal is to something very much more solid, very much more practical than anything of that kind, and that appeal is to the long since familiar "larger national development." Can't you see those words when they appear in the official bluebooks and communiqués? It is this aspiration for more land

which at least one neutral nation in Europe is using today to inflame the war spirit of its people. What does that mean? What does it mean in the case of this neutral nation? It means "more territory," "more commerce," "more people to be taxed," more land over which to rule, and more people over which the flag might float. I would take great pleasure in uttering these same words to any audience in the world. We Americans are no more free from it than any other nation in the world. We have our own name for our national exploits. We free the oppressed. We do pretty well, all things considered. There is some good in everything, but I am thinking about the principle not of ethics, but of international custom which permits a nation on any pretext to violate the sovereignty of any other nation. The denial of this may sound rather radical, because war between sovereign peoples has been the fashion for thousands of years. But we have grown out of a great many fashions, and the fact is that until land, fixed by international boundaries, shall be recognized as inviolate, and until some other method of punishing a nation which infringes on the rights of other nations shall be found, war will continue, and no peace societies, arbitral tribunals, or international fleets, or anything of that kind, can possibly stop it. We have seen in the last fifty years a dozen flagrant and shameless violations of treaties, violations committed by the leading nations of the world, including, in one instance at least, the United States, where in a small or weak country there has been some little oppression of foreigners or other cause for the complaint which has been seized as a convenient pretext for the treaty violations, at home and abroad.

We have seen a whole continent practically divided up in the last twenty years. We see a large part of another great continent about to be divided up between two of the leading civilized nations of the world. We have over here two great continents whose future status is by no means permanently fixed, certainly not, if the principle is to be accepted by the world that strong naval or military power allows a nation or group of powers to dictate new international rights.

The United States and the American people who are neutral, officially, in this present struggle will probably come out of the situation disliked by all parties. We cannot do anything now but prepare for eventualities, except begin to think in larger terms than

those of counties and states. The great glaring defect in the international affairs of the American people is that they cannot think in broad terms. Let us begin by remembering that there are a great many nations in this world, contributing to its welfare and civilization in a high degree, and making life both interesting and profitable for all of us, which could never by any reasonable probability become great military powers. If these nations are to be wiped out, if they are to become subject peoples, merely because of their indisposition, as in the case of China, or their inability, as in the case of many smaller nations, to become great military powers, then the world will live in centuries more of strife. And if that is to be the future, the United States should become a military power as soon as possible. On the other hand, if there is such a thing as a manly appeal, if there is such a thing as an unselfish proposition in international affairs, let us put forth, in proper diplomatic language, at proper times and under proper conditions, a distinctly American doctrine, which has not to do with the interning of vessels or the shipment of arms, but declares that under all circumstances the integrity and sovereignty of all neutral nations as they exist shall be recognized, all pretexts to the contrary notwithstanding.

The first and most important result to flow from that declaration would be the way in which our neighbors to the south would regard us. I do not blame them for having the greatest suspicions of what American policy—(Yankee policy, as they call it)—means for them. I myself believe that those suspicions are unjustified, as do you, but I am speaking from their standpoint. We ought to put forth that doctrine for their sake. We ought to make it very clear to them that no matter what happens, no matter what the temptation or the crisis may be, or what interests may be involved, we will never take a hand in stealing from any other nation on the Western Hemisphere (nor, of course, elsewhere) a single square mile of territory under any pretext. It is possible that after we have proclaimed that and made good at it, we might get some other nations in the world to see the permanent value to peace of that doctrine. There is not very much unseized land left in the world except China, and she seems to be on the point of being altruistically taken in charge, so that we ought not to be considered entirely unreasonable when we suggest to them that all nations stop fighting among each other for the land which they have already divided up.



But the United States, you say, took the Philippine Islands purely for altruistic reasons. I know some will smile at this, because there are many people who really think that we are there for that reason, and we may be, but the fact is that the British say, the French say, the Russians say, and the Japanese say, "You found it convenient to rob poor old Spain when you were in a war with her, and you took the Philippine Islands." We quote our speeches in Congress and everything of that kind to prove that we are there for the welfare of the people. England is where she is all over the globe for that, and France is in a good part of Africa for that purpose, and Japan and Russia are struggling in one direction or another for that purpose. I am aware that this is a very unpopular line of conversation. I wouldn't go out and run for public office on this platform, but the fact is that it is impossible to make exceptions. It may well be that the great mass of us are sincere in our belief that we can govern better certain portions of the globe which we could hardly have found on the map seventeen years ago than could the people who were there for hundreds of years before us, or the people who were born there. It may also well be that a Russian form of government would be much better for the people of Constantinople than the present one. But that is not the point. The point is, is there anything practical about such a doctrine? Where would we stop?

How are we to demarcate acquisitive statesmanship from altruistic statesmanship, if you once admit you can take another's native land? Suppose that the intricacies and tendencies of international law do make it more difficult in future for a nation to pick a quarrel of conquest, it is easy for clever statesmen to devise new pretences. The right of conquest, the taking of territory by bald conquest, has already gone out of fashion. Now-a-days a weaker nation is rarely taken by conquest. There is a clash of interests, carefully advertised and worked up in advance, then the national commerce of the aggressor becomes vitally important, or a racial affinity is discovered which makes it necessary that one nation leap eight or nine hundred miles to stand by another nation in going to war. I only mention these things because we have grown used to them. Fine expressions may be very consoling to the people of the country being seized. But we all know that such things are merely a question of a pretext, and there can be no just pretext for taking the

land and the birthright of another people. Certainly the American people should never admit such a pretext, and if we do, it must be because of some finesse of diplomacy and international law.

When certain difficulties arise I can conceive that it would be almost easier to go in and "spank" a smaller nation than to reason with it, or to arbitrate. I think we have seen cases of that kind not so very long ago. But the vexations of self-restraint are much less than the difficulties which flow to the world at large from the admission of the doctrine of the right of the acquisition of territory belonging to another sovereign people. I should like to see the United States (and I suppose that we can do so at least as fittingly as any other nation) put forth this doctrine at the proper time, take it as their national slogan and await the result. We cannot impose it upon others, if they do not choose to accept it, and it will be hard at times to sit quietly by and see other nations reject it and profit by their attitude while we are following a principle. That is true, however, of every principle which is worth while. I should like to see our country do one thing more, at the same time that we are preparing to put forth that doctrine of the fixed balance of territory as a possible safeguard against war,—I should like to see established and maintained in this country an army and a navy so efficient and so large that, whatever the international situation might be, there could be no suspicion in the mind of any "doubting Thomas" anywhere in the world that we were putting forth this peaceful and generous doctrine from either weakness or fear.

## WAR—OR SCIENTIFIC TAXATION

BY C. H. INGERSOLL,

New York City.

Two important factors which mark the growth of civilization are an increasing control over the forces of nature, and a more minute division of labor. The latter makes us to a large extent dependent on others, and this has never been more conclusively shown than during the present war. Although we are a neutral nation, the struggle has affected every one of us in an economic sense. Some have lost—others gained, so far.

At any rate, the war's costs are enormous and will continue to be. Professor Charles Richet, of the University of Paris, estimated some years ago that a general European war would cost approximately \$50,000,000 a day. Recent figures from London indicate that the annual expense of England and her allies will approximate \$8,000,000,000 and the total annual direct expenditures of the nations at war will probably reach \$16,000,000,000.

Statistics of capital known to be normally available for investment and securities are compiled year by year by the Belgian Financial Publication *Le Moniteur des Intérêts Matériels* and these show the average annual amount available, for the past few years, to be about \$4,000,000,000. *One year's war will consume approximately four years' savings!* A costly plaything—War.

And I have not yet spoken of the indirect costs. The enormous destruction of property, the almost complete disorganization of the agencies of production and distribution, the economic loss sustained by the almost unbelievably large loss of life—these are factors which cannot even be approximated.

Who will pay for this war? Will the people of the nations at war stand all the costs, or will they be distributed among humanity in general? I believe that we will all have to bear a share of the burden, and that it will fall most heavily on those who are least fitted to stand up under it—the consumers. The consumer is the laborer in more than nine cases out of ten. Under the present system of taxation, business will stand the first costs. But a tax upon

business is a tax upon capital and industrial enterprise, on which the consumer-laborer depends for employment. If business thrives, the consumer-laborer pays the tax in the form of higher prices; if the tax is so high that business cannot be conducted at a profit, he pays it in the form of unemployment. In other words, he gets it coming or going. Perhaps it will be in the form of higher prices—perhaps increased unemployment—or in some other manner, but these costs will be paid. For many months we have been paying the costs in the form of disorganized and dislocated business, and by special taxes on proprietary and toilet articles, telephone and telegraph messages, and so on.

The government must be supported—that is not open to discussion. Under the present system governmental revenues are quite largely secured from import duties. When this source is cut off, or lessened, as it has been since the war started, we pay the penalty in another way—and always through taxes levied upon those who have least cause to have to bear them. Taxation as now in vogue is all bad; taxes fully deserve the evil reputation they bear. Taxation today means taking from people something they think they own; hence their persistent objections. This is evidence of the wrong basis for taxation, and proof that it is interfering with normal life, industry and prosperity. If we want to do away with war, let us first remove the cause—unjust taxation. Can business prosper while being driven from pillar to post by the tax assessor? Or is it better not to have business prosper? A stranger might reasonably infer that the prosperity of business is decidedly against public policy.

What is the present financial status of American industries? We are blessed with good crops, for one thing. In addition to having plenty for home consumption, we have enough to feed several of the warring nations and some of the neutrals. The farmer instead of worrying about how he will pay the interest on his mortgage, now spends his earnings assiduously studying the pages of the automobile catalogue. He is selling the products of the field at top prices, and so far at least, the increased prices of the things he has to buy do not equal his increased revenues.

It is the opinion of 2,000 leaders of thought and action in the financial, mercantile and industrial field that "while money is cheap, credit is subnormal." There is a super-abundance of money in some

sections of the country, mainly in the larger centers. This is to be expected, for the sequence of a period of business depression is always an accumulation of money at the large centers and a closer scrutiny of credit that results in the elimination of those who were hopelessly crippled by the panic but were temporarily carried along by bankers until better financial conditions permitted of their rehabilitation through bankruptcy or reorganization, with less shock to the community and with greater salvage to their creditors. Economy is general, and reports indicate that in many instances it is deliberate and is being followed as a matter of choice and not of necessity. The Federal Reserve Law is making money easier to secure. We have a brisk home trade and a strong export trade in foodstuffs and war materials. Our "balance of trade" has reached a record figure. Our citizens are "Seeing America First." Millions of dollars are being kept at home this year through force of necessity.

This war was not desired by any nation now involved in it, nor by the people, nobility or ruling class of any country, and was beyond the power of the world's financiers to have averted. It is a *commercial war*, always raging, due to the fact that each nation is always unconsciously fighting to extend its area of *free trade*. The existence of tariff walls is the prime cause of national and racial hatreds. On the other hand, the examples of the German Zollverein and the United States of America show the mutual advantage and amity that flow from state autonomy and the freedom of commerce.

"Suppose" with me for a moment. Suppose that there were tariff walls between the various states of the Union. Now then—Michigan automobile manufacturers are trying hard to build up an export trade in South America. The cheapest method of transportation is, we will assume, by Mississippi River boats, to New Orleans. But to reach the Mississippi or Ohio, the Michigan manufacturers would have to pass through Illinois, Indiana or Ohio, and there pay a duty on their products. Think of the jealousy and hatred this would cause! We are so accustomed to free trade within the United States that our senses have failed to grasp the importance of the cause which has thrown Europe into a state of indescribable turmoil.

The real cause of the European war was not the shooting of an Austrian noble by a Serb—the real cause was an economic one—the unconscious fight of each nation to extend its area of free trade. Russia, for example, is a nation without a good seaport. What is

more natural then, than for her to look with envy at German soil along the Baltic, and at the region of the Dardanelles? What would prevent her from shipping her goods from German ports? The answer is the existence of tariff walls. If she sent her goods through Germany, she would be taxed. This is a condition which has existed for centuries, has caused numberless wars, and will continue to create discord and ill-feeling until governments remove tariff barriers and gain their support from nature's creation instead of from the fruits of man's labor.

The remedy—the only insurance against war—is a more scientific, rather a scientific, system of levying taxes. Under the present system unimproved land goes almost free on the theory that it is earning no income, and in disregard of the fact that it is a stumbling block, a drag on development, and that it is growing valuable by the industrious efforts of others. Build a house, or even paint one, or beautify your property, and you must pay a penalty. Buy a suit of clothes, a barrel of sugar or a ton of coal, and you will have paid another fine that must discourage your effort to live comfortably. Our present system is a direct encouragement to speculative inaction, and at every turn a blow at honest industry.

The site tax, or tax on land values would not disturb existing titles to land at all, but by surrounding *users* of land with fair conditions, not now existing, would make these titles absolutely secure. The force of the change would fall on those non-users or partial users of tracts they are holding for an advance in price. For example, of two adjoining pieces of land, one is occupied by a building and other improvements, and the other is in its raw natural state. The owner of the first pays a high tax on every building and its contents,—on even his fences, ditches, grading and so on, as well as a high tax on the land itself, while his neighbor pays a *low* tax on the land alone. A tax on site values would remove all tax from the improvements and take the full rental values of the land only, without considering in the slightest degree the improvements, thus lowering the tax paid by owner No. 1. The tax on the unimproved plot would be increased three or four times, bringing it to the actual economic value, corresponding to the adjoining land. And what would be the net result of this? First, an industrious man's taxes would be lowered, and he would be encouraged to make further improvements. Second, the "dog in the manger" would realize

that there was no longer any profit in holding land idle; so he would use it, build upon it, cultivate it, and employ labor, thus raising wages. Third, another house would be in the market, lowering rents for houses, and more produce would be sent to market, contributing to cheaper prices for such. Fourth, as the revenues from land would more than suffice for all expense of government, every other tax would be abated, so that general public would actually be exempt from taxation! The land would take care of it all, and justly so, because these same people have made every dollar of these values. "Every other tax would be abated." This would mean the end of war and its terrors. There would be little incentive to reach out for more land if every country levied taxes on site values alone.

Great Britain made a step in the right direction by removing tariff barriers and establishing free trade. But England did not dig down to the roots of the question—and as a result England has perhaps the worst tax system of any nation. A few nobles—law-lords as well as land-lords—hold the greatest share of the land, and are encouraged to hold it, idle and useless, by a tax system which lets unimproved land off nearly free and puts a high tax on improvements.

The whole object of any system of taxation is that it shall be certain, just, easily collected and shall not be a burden to industry, thrift and initiative. Our present system, in order to be certain, is unjust, for it is not placed on those who should and are best able to bear it. Under the present tax laws, those whom we have a habit of thinking pay the tax are in reality tax collectors from those who rent, use and purchase. Such factors as labor, sea and rail transportation, supply of capital and interest rates do, of course, contribute to the prosperity of American industries—and I speak of industries in the broad sense. But back of these factors, and more fundamental, is another factor—taxation. Until we have just and scientific taxation—wars or no wars—the prosperity of American industries will be uncertain. Until tariff walls are broken down and taxes levied from site values only, we must always be prepared for the outbreak of war.

## THE CONSTRUCTIVE WORK OF THE AMERICAN ARMY

BY LEONARD WOOD,

Major-General, United States Army.

I want to say a word to you about the life-saving work of our country in the tropics through its principal agent, the Army, an agent which is more generally misunderstood in this country, perhaps, than any other branch of the government, an agent whose life-saving work has been of infinite value to mankind and to the nation. We in America understand too little the work of the Army, too little of what it has done to save life, and we talk too much of it as a destructive force. There are very few who realize or know that in ten peaceful Fourth of July celebrations of a war finished about 135 years ago we killed some 1,800 people, mostly young boys, and wounded some 35,000 and odd, also mostly boys and young children. The killed of those ten peaceful single day celebrations about equal all the killed of the Spanish war and the Philippine Rebellion and the Indian wars of the preceding ten years. And the wounded of those ten peaceful single day celebrations, were, roughly, seven times the wounded of all those wars.

War is by no means the greatest cause of death among the human race. Typhoid fever every year in this country, until some doctors discovered how to control it, cost 40,000 lives. That number almost equals the loss of life on the battlefield of all our wars, excluding that of the Civil War, beginning with the foundation of the Republic. Our industrial accidents each year amount to some 462,000, with a death list of nearly 80,000. You take little interest in correcting the causes and conditions which make such things possible, but talk a great deal about war, of which you know extremely little. Seventy-nine thousand lives a year, or a number of lives equal to the losses of any two average years of the Civil War, and more than the total loss in battle of all our other wars, and yet you don't think much about it.

We have heard here tonight that international peace can best be secured by doing away with patriotism, and that there is no such thing as a national conscience. So far as America goes, I claim that there



is such a thing as a national conscience, and a very strong and a very active one. On some questions it is not keenly alive because their importance has not been brought to the attention of the people, but once brought to their attention and placed squarely before them in such a way that they can understand it, the national conscience becomes active. The best type of national conscience will only be found where the training of individuals has been broad and sound. The national conscience as a whole consists, as it were, of the collective conscience of individuals, consequently it depends upon individual training and individual morals. International congresses can do very little if the training of the people has been unsound and they are wanting in proper moral principles. It is the education of the individual, after all, which counts, and this education must begin in the home. If we have decent, moral boys and girls and sound teaching in the home we shall have good morals in public life. You will have a quiet, strong, God-fearing nation which, while not aggressive, will, I hope, always be proud of its flag and all that it stands for, willing to defend its interests when attacked, and, while seeking to avert war through justice and fair dealing, will nevertheless be ready and willing to resist injustice and accept war rather than peace with dishonor or peace which involves conditions worse than war.

We must always remember one thing: we are too prone in this country to, figuratively speaking, pat ourselves on the back as being the most intellectual and the most advanced people. Our opinion in this matter is not generally accepted by foreign countries. Do you know that our criminal rate is the highest of any of the great Christian nations? I doubt if you do. Our murder rate is several times that of Switzerland, where general military training to defend the country seems not to have debauched the youth, if we can judge by the criminal rate.

Now, when we took over our trust in Cuba, the conscience of the American people decreed that we should not exploit that island, but that we should do all that we could to build up and better the people. For four years the work was entirely in the hands of the Army, acting as an agent of reconstruction. The courts and municipal and provisional governments of Cuba ran without interference. The record for the prompt punishment of crime was better than in any state of the Union. The death-rate in that Island was re-

duced from one of the largest in the world to one of the smallest. The wonderful results which grew out of the work and discoveries of Dr. Walter Reed and his associates, who nobly and generously gave health and even life itself to the work, have been applied to the control of yellow fever in our southern states, in Central American and northern South American countries, as well as in Cuba and the islands of the West Indies, and have brought untold blessings to those lands through the doing away with their most terrible scourge—the much dreaded yellow fever. The tropics have been made a white man's country so far as this disease is concerned. The number of lives saved in the tropical lands every year are many times the number of those lost during the war, and the saving in our own country has been very great, not only in life but in money, exceeding in all probability many times the cost of the war, in each. Those who are business men can appreciate what a quarantine extending from the mouth of the Rio Grande sometimes almost to the Potomac and away up the Mississippi above Memphis, cost the people of the South. All freight was tied up, all movement of individuals greatly curtailed—business practically paralyzed. Not only was its effect far-reaching in the case referred to, but out of its results came the possibility of another great work, the Panama Canal. Magnificent as has been the engineering work and its conduct by General Goethals and his assistants, in my opinion it never would have been possible to build the canal had it not been for the discovery of Reed and his associates and the application of this discovery to Panama under the direction of the present Surgeon-General, Doctor Gorgas, who for a long time had charge of yellow fever work in Havana and established there methods of handling it which were later applied in Panama with great success. The sanitary work of Gorgas in Panama made it possible for that great undertaking to be conducted under health conditions which were exceeded in few portions of the United States. When we speak of what has been accomplished in the control of yellow fever you must remember that the accomplishment is for all time and for all people living in the tropical and semi-tropical region of the western hemisphere.

In Porto Rico one of our young medical officers, Dr. Bailey K. Ashford, interested himself in what is known as tropical anemia, or hookworm disease. He established the method of its control,

established a systematic campaign against it throughout Porto Rico, and finally reduced the death-rate from this disease alone in this little island with its million people, some 1,400 per year. Here again is a great sanitary discovery growing out of our war with Spain, and like yellow fever, it is a discovery which is of immense value to tropical and semi-tropical peoples. What we for a long time considered as tropical laziness or shiftlessness is traceable very largely to the effects of this disease, so that the discovery of its cause and the establishment of a method of treatment and control means the revitalizing of the people of these tropical countries, as well as of the people of a considerable portion of our southern states. A recent estimate by planters in Porto Rico places the increased efficiency of their men, incident to doing away with this disease, as high as 60 per cent. It is hard to estimate the economic value of a discovery of this kind, and it is still more difficult to appreciate the far-reaching effect in the way of the saving of human life and adding to the measure of human contentment and happiness.

You are no doubt familiar with the assembling of troops on the Mexican border, and that when first assembled a great deal of typhoid existed on the Mexican side of the river. This made it necessary to take up the systematic control of typhoid through the use of a typhoid serum beginning to be used in the British Army. It was taken up by our medical officers with such success that last year, with something over 100,000 men scattered all over the world, there was not a death from typhoid in the Army. Contrast this with the conditions at Chickamauga when there were over 1,500 cases of typhoid in that camp alone, with a huge death-rate.

Again, in the Philippines, our medical work incident to the occupation of those islands has done away with beri beri. This was not the work of the Army, but was accomplished by the medical officers connected with the Insular government, working under the direction of the Insular Bureau of the War Department.

Other great results have been accomplished in the control of malaria and the general betterment of sanitary conditions. In fact, the whole work in these tropical possessions has tended to the betterment of conditions under which people live, both from the standpoint of government and the standpoint of sanitation. The improvements in sanitation have been more generally appreciated than in any other department of our work, and they have been

accomplished without any exploitation of the country and have undoubtedly resulted in building up bonds of lasting sympathy between the people who have come under our control and ourselves, for they must appreciate in their hearts the great work which has been done for them.

So, when you think of our Army and its work, do not think of it always as an aggregation of fighting people, bent only on fighting, but remember that it is one of the great constructive life-saving agencies of the Republic. Its work has been continuous from the earliest days. In addition to the great work of the Spanish war and the subsequent colonial period, and preceding it, it was engaged for years in opening up the West, controlling the Indian situation, safeguarding the mail routes, keeping roads open, aiding in surveys, conducting many of them, in fact. It was the advance guard of civilization and the protecting agent of people crossing the great unsettled section between the Pacific slope and the eastern frontiers. In recent years the control of conditions resulting from Mississippi floods has been handled by the Army—handled so quietly and so effectively that few have ever heard that at times 200,000 people were being taken care of each day. This work was done quietly by young officers who were trained to be obedient, to do things as told and when told, to do them promptly, to get things done. This is possible when you have conditions of discipline and training. Remember that the Army is not working for a large army, we are working for an efficient one, and a system which will make it capable of expansion in time of need. We believe in a good militia, supported like the regular Army, by good reserves, and a system which will make military training more general among the people, believing that reasonable preparation is the best insurance against war.

There is no more democratic element in this country than your Army and your Navy, and no class which stands abuse or misrepresentation with less resentment than the two sister services. We know you do not understand us, our purpose or work, but don't constantly refer to armed force as a destructive element. You might as well say that your police force is a destructive element simply because it is trained to do certain things with force if it has to.

Another idea you must get out of your heads is that soldiers and sailors are fond of fighting for its own sake. You might just as well say that the life-saving service down on the coast in winter

is praying for gales of wind and rough work at sea simply because they are trained to it. The Army and Navy are willing to do cheerfully what the nation decrees in this line because they are the people to do it. That is as it should be. Look at the constructive work the nation has done through its military arm (Army and Navy), and remember that it is always subordinate to the will of the nation, that it is without unworthy ambition, that it hates militarism, that it is simply your agent. When you turn to the work of your country in its dealings with the tropical peoples who came under our control as a result of the war of 1898, remember that none of these countries has been exploited for our profit, that their people have received great benefit as the result of our control, and that they are living under far better conditions as to education, material comforts and health than ever before.

## SOME PROBLEMS OF DEFENSE

BY AMOS S. HERSHEY,

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In this crisis of the nation's history, I have thought that some consideration of problems or methods of defense would not be out of place. Knowing little of military matters, I shall leave it to military experts to decide upon the means and methods of military defense. I wish merely to pose some general problems and discuss means and methods from a diplomatic rather than a military standpoint.

First let us consider the main *objects*, or perhaps we had better say, *subjects* of defense. These may be said to consist of the nation's frontier, the strategic points commanding the entrances to the Gulf of Mexico and the Panama Canal, and other vital interests, such as the Monroe Doctrine and the freedom of the seas, more particularly of the great trade routes on the Atlantic, Pacific, and the Mediterranean.

With respect to the nation's territory, it may be observed that, if we except the possibility of war with Canada or England, it includes only one exposed frontier—that of the Philippine Islands. It is useless now to indulge in vain regrets over our great mistake in taking over this hostage to fortune, but a frank recognition of our blunder may help us in the solution of the difficult problem of making a wise disposition of these Islands and in avoiding similar pitfalls in the future.

It will, I think, be generally agreed that our northern and southern frontiers are relatively safe from attack or invasion. I think the same can be said of our eastern and western coasts. I believe the invention and improvement of the submarine will practically insure us against invasion on either the Atlantic or Pacific seaboard. It is inconceivable that a fleet of transports even if covered by the great guns of modern calibre on board dreadnoughts and battleships should be able to effect a landing of troops in the face of a goodly number of up-to-date submarines. Whether these sea wasps will be able to prevent the bombardment of our coast towns and the infliction of serious damage remains to be seen.

Sharing with Great Britain, as we do, important strategic points in the Bahamas and the West Indies, the Caribbean entrance to the Panama Canal is practically at the mercy of England. We are likewise largely dependent upon the mistress of the seas for the maintenance and enforcement of the Monroe Doctrine.

I do not propose to enter upon a discussion of the merits or demerits of this doctrine. Whether it be a wise or a foolish doctrine is not pertinent to this discussion. It may be a "shibboleth" but it is certainly not an "obsolete shibboleth," as one critic has termed it. This he would soon discover, if he undertook to violate it at the head of an army or a navy. Upon no point are the American people more sensitive or determined than upon the maintenance of this doctrine. This was illustrated by the instantaneous and vociferous approval of President Cleveland's application of the doctrine to the boundary dispute between England and Venezuela in 1895. It is shown today by the suspicious attitude of the American press and of the American people toward alleged Japanese activities in Mexico.

Originally suggested by Great Britain for selfish reasons of her own, though at times flouted and disregarded by her, the Monroe Doctrine, at least in its essence, has become almost as much a British as an American interest. Certainly we are largely dependent upon the good will of England for its maintenance unless we choose to enter upon a long and exhausting career of naval rivalry with her and attempt to build a navy equal or superior to her own. For the enforcement of the Monroe Doctrine is primarily a matter of sea power.

The Monroe Doctrine is often said to be vague, ill-defined, and uncertain in its meaning and application. This may be true with reference to certain implications or corollaries which have been drawn from the doctrine, such as the degree or extent of our responsibilities for the preservation of order or the payment of obligations contracted or guaranteed by Latin American states. But it is not true with reference to the essence or substance of the doctrine itself, upon which nearly all authorities seem to be agreed. The consensus of opinion is that the American people or government would not tolerate without resistance the permanent occupation, a future attempt at colonization, or an endeavor to control the political destiny of any portion of this hemisphere by any European power.

Another vital interest of America is the freedom of the sea, the common highway of nations, more particularly the great trade routes on the Atlantic, Pacific, and the Mediterranean.

For a century or more we have acquiesced in British naval supremacy partly, I suppose, because it was regarded as a settled and inevitable fact, but mainly because it has been to our advantage to do so. In the navies this trust of sea power has been administered in a liberal, considerate, and non-despotic manner.

True it is that Great Britain has managed to occupy many of the best strategic points and most important colonies on the great trade routes, but she has maintained an open door so far as possible and has granted equal opportunities of trade to all nations, not even excluding her recent arch enemy, Germany, who has grown fat and prospered under the free trade policy of England the same as we have.

Even during the present struggle, though we are not permitted to trade with Germany which is in a state of virtual siege or blockade, our trade flourishes under the protection of the British flag. Great Britain has managed to keep the great trade routes of the Atlantic open in spite of a method of warfare new and unprecedented in the history of civilization.

Imagine the effect upon our commerce of a successful or effective blockade of the British Isles or of the destruction of the British fleet, whether by legal or illegal and inhumane methods of warfare! Commercial ruin, a financial panic, bankruptcy on a scale hitherto unknown would inevitably follow in the wake of such a calamity. How could the sale and delivery of cotton, copper, arms and ammunition, or even of foodstuffs to Germany compensate us for such frightful losses?

And what of the future? What expectations or prospects of a wise, liberal, and benevolent régime would there be in a future with the trident in the hands of Germania? The answer may be found in the traditions, history, and spirit of Prussian militarism and in a bare enumeration of some of the numerous acts of German brutality which have defaced the pages of modern history—such acts as the treacherous invasion of Silesia by Frederick the Great in 1740, the treatment within recent years of Alsace Lorraine and Prussian Poland, the piratical seizure of Kiao-chow for the murder of two German priests in 1898, the excesses of the German troops in China dur-



ing the Boxer uprising in 1900 directly inspired by the Kaiser, the rape of Belgium, the destruction of Louvain and of many other well-attested German atrocities in Belgium and France, the countless violations of the letter and spirit of international law during the Franco-Prussian as well as the present war, and finally the destruction of the *Lusitania*.

Another vital interest (which is also a matter of national honor) is the protection of our own citizens on the high seas or in foreign lands—a duty too much neglected by our government during late years. It is possible to be too aggressive and sensitive in this matter, but a nation which fails in this important duty will soon find itself losing in self-respect and lowered in the esteem of the world.

Now what are the chief means and methods of defense? In such a world as this the first and main reliance of a nation must always be upon its own strength. We must depend chiefly upon our navy, the discussion of details bearing upon whose increase and improvement, I leave to naval experts.

It is, I believe, generally agreed that, in addition to an increased and improved personnel, the greatest present-day needs of our navy are perhaps several hundred submarines, a considerable number of swift battle cruisers, together with a variety of air and sea craft such as aeroplanes, hydroplanes, torpedo-boat destroyers, etc.

There is an additional method of defense which is generally employed by other nations than the United States. It is that of leagues or alliances.

We have relied mainly upon our geographical isolation for immunity from attack. It is not many years since England was forced to abandon her policy of "splendid isolation," and it is probably only a question of time when we shall come to see that our traditional policy of freedom from entangling alliance may need modification. At any rate it would be well to consider the question with minds unhampered by prejudice.

I do not for a moment question the wisdom of the Fathers in committing us to a policy of non-entangling alliances during the formative period in the history of our Republic, nor do I question the wisdom of their successors in following the policy until recent times. But we live in a changed and rapidly changing world of international relations. The United States is now a world power

and cannot indefinitely continue to evade the duties and responsibilities incumbent upon her as a world power.

Besides, the modern means and methods of intercommunication between nations (largely the result of the application of steam, oil, water-power, and electricity, together with the invention of the telegraph, telephone, and the various forms of aircraft) will soon make it evident to nearly all of us that a policy based on the idea of geographical isolation and separate national interests and ideals cannot always be successfully maintained. In spite of appearances to the contrary offered by the fearful spectacle of the great European war, the nations are rapidly becoming more and more intimately bound one to another in a spiritual as well as a material sense; and the illusions of nationality, state sovereignty, and independence are rapidly giving way to the great facts of international solidarity and interdependence. Even the present war is a demonstration of the superior power of ideals based upon the ideas of freedom, humanity, coöperation, and democracy over those based upon mere nationalism, bureaucratic autocracy, militarism, and brute force.

Occupying, as we do, a position in the great ocean between Great Britain and France on the Atlantic and Japan and Russia on the Pacific, all now bound in close alliance, would it not be well to look ahead and cultivate closer relations with these powers, particularly with England and France? Until Germany is either crushed or converted to the ideals of peaceful intercourse, democracy and humanity, there can be no permanent peace between her and the Allies. We may sooner or later be forced to take a position on one side or the other of this conflict as was the case during the Napoleonic struggles. Heaven grant it may not be on the side directly opposed to our national interests and the cause of humanity as then happened. We could not afford to repeat that error.

A recent facile and somewhat reckless writer has predicted that we shall be compelled, sooner or later, to fight the victor in this war, whether it be England or Germany. I have long been of the opinion that Germany was a menace not only to Europe, but to America and the Far East as well. If Napoleon had effected a permanent conquest of Europe, his "manifest destiny" would have called him to America and India. In 1803 he was forced to choose

between America and Europe. He chose Europe. Hence the sale of Louisiana to the United States.

A war with England is inconceivable. It is in the highest degree improbable because we have behind us a century of peaceful intercourse. Then, too, our language and literature, our institutions, our customs, our religion even are for the most part of Anglo-Saxon origin. In spite of past differences, of real and imaginary grievances, in spite of much mutual dislike and a number of family quarrels, the two peoples are united not merely by genuine bonds of sentiment but by the indissoluble ties of sympathy and interest. A blow at the heart of Great Britain would inflict serious, if not fatal, injury upon the United States.

The existing interdependence between Great Britain and the United States stands revealed more clearly than ever in this war. The destruction of the British fleet or of British commerce by German submarines would be only less disastrous to the United States than to Great Britain. The destruction of the *Lusitania* has brought it home to us that just as Great Britain and France are largely dependent upon us for food and other supplies, so are we largely dependent upon British sea-power not merely for a continuance of our prosperity but for our very security and peace of mind.

What is the solution for this precarious situation? Is it that we must enter into naval rivalry with Great Britain? Is it not rather that, while augmenting and improving our means of defense, particularly the navy, we must draw still closer the bonds which unite us to the British Empire and to France? Whether we realize it or not, whether we like it or not, we are already a powerful, albeit silent member of that great free Confederacy of English speaking peoples which compose the most important part of the British Empire.

An additional reason for joining or openly proclaiming our allegiance to this league of free peoples which, with the addition of France and possibly of Italy and Japan, might readily be transformed into the League of Peace, advocated by many distinguished peace advocates, may be found in conditions in the Far East.

The recent treatment of China by Japan furnishes a sad commentary upon the aims and methods of Japanese policy which now stands revealed to all the world. Japan has shown her hands, but whether she will play her cards depends upon future events. It will probably be found at the end of this war that she has acted in con-

cert with Russia and it will lie largely with England and the United States whether or not she is to be thwarted in her designs upon China.

It is not likely that Japan desires the Philippine Islands, but they form a very vulnerable point of attack and if we decide to retain or protect this exposed frontier at all hazards, we may eventually have to choose between a Far Eastern fleet equal or superior to that of Japan or an alliance with Great Britain.

## ECONOMIC PRESSURE AS A MEANS TOWARD CONSERVING PEACE

BY HERBERT S. HOUSTON,

Vice-President, Doubleday, Page & Company.

Everyone seems to agree that nations should arbitrate their differences. That demand for compulsory arbitration is heard the world over. The Woman's Peace Conference, which met at the Hague in the spring of 1915 under the presidency of Jane Addams, declared strongly in favor of compulsory arbitration. The week before several hundred German Socialists held a conference in Vienna and joined in a similar declaration. But above and beyond these recent pronouncements stands the final declaration of the last Hague Conference, that of 1907. I think we sometimes forget that that conference, before adjournment, passed, without a dissenting vote, a declaration in favor of compulsory arbitration. Now, when the next peace conference meets it will be in a world wasted and exhausted by war and it does seem that such a conference ought to be willing to start where the last Hague Conference ended, namely, with this declaration in favor of compulsory arbitration.

Now, if arbitration is to be compulsory, how is that compulsion to be applied? In my judgment, the most effective possible means is that of economic pressure.

Economic pressure could be applied in three ways:

1. To compel nations to submit to arbitration.
2. To compel nations to submit to the decrees of the High Court of Arbitration.
3. To serve as a penalty against an offending nation for breaking a Hague Convention.

Let us briefly examine economic pressure. Of what does it consist and how could it be applied? The most effective factors in a world-wide economic pressure, such as would be required to compel nations to arbitrate and to submit to the decrees of arbitration, are a group of international forces. Today money is international because in all civilized nations it has gold as the common basis. Credit based on gold is international. Commerce based on money

and on credit is international. Then the amazing net-work of agencies by which money and credit and commerce are used in the world are also international. Take the stock exchanges, the cables, the wireless, the international postal service, and the wonderful modern facilities for communication and intercommunication—all these are international forces.

The sum total of these forces would constitute economic pressure of the most powerful kind. It would affect subsistence, armament, equipment and every side and phase of war. If nations felt that they were going to meet the pressure of such an embargo as soon as their own resources were exhausted, isn't it fair to believe that such days as July 29 and 30 and August 1 of last year will not be so likely to come again in the calendar? White papers and gray papers and blue papers of the future would have to do with mobilizing the great protective reserves of commerce rather than those of the army and navy.

Of course, the one apparently strong and valid reason against such economic pressure is that it would bring great loss to the commerce of the nations applying it. But that loss would be far less than the loss brought by war. And there would be no loss whatever if war were avoided. Still to one beholding the wheels of his factory whirring with overtime work brought by war contracts; to the farmer enchanted with the magic of "dollar wheat," and to those especially affected by mounting export balances, an economic pressure that resulted in smaller trade will seem an astonishing and absurd measure to adopt, unless we are utterly bereft of our senses. But ask the cotton growers who had their market cut from under them by war; consider the virtual moratorium when the exchanges closed, bringing an incalculable loss in shrinkage in security values and affecting all business; listen to the poignant human appeal on bundle days and from country-wide unemployment; at least one must grant that the shield of Mars has two sides. But the burnished side is not that which reflects the ghastly image of war.

If a balance could be rightly struck in this country is there anyone who sincerely believes that our interests would be best served by war in some other country? This is quite apart from any question of humanity or civilization. Let it be a trial balance of commerce alone and it will show a heavy debit against war. And an accounting will show the same result in all other countries. If this

be true, with only current commerce entering into the equation, how staggeringly true it becomes when the piled up debts caused by war are considered.

So why shouldn't business, which has been binding the world more closely together for centuries, be employed to protect the world against the waste and loss of war? Hague Conferences have sought earnestly for penalties that would save their conventions from being treated as mere "bits of paper." Penalties that every nation would be bound to respect could be enforced through economic pressure. The loss in trade would be small or great in proportion to the amount and duration of the pressure; but it would be at most only an infinitesimal fraction of the loss caused by war.

This pressure would not require an international police force to make it effective. Each nation signatory to a Hague Convention that some nation had broken could apply it against that nation. Of course, the fact of infraction would have to be established, but that would be equally necessary if an international police force were to be used. The point urged is that economic pressure is a powerful and peaceful way to insure peace, while an international police force is likely to be a warlike way to provoke war. Probably such a force could be employed as a constabulary for the Hague Conference, under well defined limitations, but its use would be beset with endless difficulties and enormous and perpetual expense. Economic pressure, on the other hand, could be put in operation from within by each nation without expense and its power would be as sure and steady and irresistible as gravity.

In conclusion, may I read some brief resolutions, that it was my privilege to present at the recent convention of the Chamber of Commerce of the United States in Washington, embodying this idea of economic pressure as a means toward conserving peace?

These resolutions, which are now being considered by the Chamber of Commerce of the United States, are as follows:

Believing that commerce as the organized business life of the world is interdependent because international and believing that it can become a great conservator of the world's peace, therefore, be it

*Resolved*, by the Chamber of Commerce of the United States, that the next Hague Conference be urged in the interest of peace, to provide as a penalty for the infraction of its con-

ventions that an embargo shall be declared against an offending nation by the other signatory nations as follows:

1. Forbidding an offending nation from buying or selling within their territory or in territory under their control.

2. Forbidding an offending nation from raising money through the sale of bonds or of any other forms of debt within their territory or in territory under their control. Be it further

*Resolved*, that the President and the Board of Directors of the Chamber of Commerce of the United States be instructed to take all possible and proper means at their command to secure the adoption by the next Hague Conference of this proposal to apply the economic pressure of commerce as the most efficient, humane and civilized means of insuring the world's peace.



## AN INTERNATIONAL COURT, AN INTERNATIONAL SHERIFF AND WORLD PEACE

BY TALCOTT WILLIAMS,

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Constructive peace can only come when international courts are stronger than international causes of war. Not only a possible but the largest possible service America can do the world's peace is to put the sheriff behind the courts of arbitration. We have had international tribunals for over a century. They have not prevented war. We have had recorded treaties for forty centuries. They have not prevented war. The peace of humanity will only come as the peace of the people and the king's peace came, when behind treaty and international courts there is a strong man armed able to deal with the sons of violence and the lovers of war. Last July, when Serbia offered arbitration and the neutrality of Belgium was in peril, had all the neutral powers, outside those now at war, led by America, with America led by the United States, insisted on arbitration as a *posse comitatus* of humanity, arbitration would have come, and war would not have come. The machinery was not ready. It should be prepared when peace comes. No nation is strong enough to fight all the world, even if it may be ready to risk war with half the world. Humanity is still stronger than any one nation and as the peace of the people can only be protected by all the people so the peace of humanity can only be protected by all humanity.

No hemisphere can lead in this organization of humanity but the American hemisphere. No nation can lead the American hemisphere but the United States. As it is, the two issues of fact on which the war began remain unadjudicated. War cannot give justice. Peace alone walks hand in hand with righteous justice. Were the Servian government or its officers implicated in the murder of Grand Duke Ferdinand? Who first violated the neutrality of Belgium? These are justiciable issues of fact. Even now, these ought to be adjudicated. Were they tried, and the judgment of an impartial court enforced, war would cease among men and per-

petual peace be brought nearer than any possible issue of the present conflict, whichever party to it crushed the other.

Unless America, led by the United States, in due time secures and organizes a force behind courts of arbitration able and willing to insist on all issues likely to lead to war being adjudicated, out of the furrows of this great war no harvest of the peace of humanity can come. Either we must create an international force strong enough to keep the world's peace or we must arm to defend ourselves to keep our peace in a world of war. Such a court with such a force behind it, not of one nation, but of all nations that love peace and ensue it, could deal with the weak disordered land that breeds war. Weak and disordered China, Turkey, Persia, Morocco, these have brought twenty years of war. The one indispensable service constructive and perpetual peace demands is an international court with an international sheriff behind it, made up of allied powers strong enough to compel attendance at court, to enforce its judgments and to execute an international receivership of a land like Mexico unable to keep its own peace. By force, stronger than the unruly, law, courts and peace have in the past been established in each civilized land. So will come the peace of humanity and by no other path.

## WORLD COURT AND LEAGUE OF PEACE

BY THEODORE MARBURG, M.A., LL.D.,

Former Minister of United States to Belgium.

A realization of the unintelligent methods by which nations regulate their relations with each other, and the waste and danger of competition in armaments, led to the call for an international conference which met at The Hague in 1900. No progress whatever was made at the conference on the question of disarmament, for which primarily the gathering was called. But there did emerge from it new institutions, not looked for, which were a real gain to the world. I refer first of all to the Permanent Court of Arbitration, which has decided several difficult questions, among them the Casa Blanca Affair between France and Germany, at one time quite acute. There emerged also an International Commission of Inquiry which, in 1904, proved of the highest value. You will remember that the Russian Admiral Rodjesvensky, emerging from the Baltic, thought that he discovered an enemy in some innocent English fishermen. He attacked them, sank a ship and killed several men. Now, in the minds of many men that incident might have led to war the next day—a generation before it would undoubtedly have led to war. But there happened to have been set up by the First Hague Conference this institution, the Commission of Inquiry. The question was referred to it and it was found that Rodjesvensky, however foolishly, still honestly believed he saw in these fishermen Japanese warships. Moreover, time was given for national passion to subside. As a result there was no war between Russia and England. Then, too, at the First Hague Conference, good offices and mediation were recognized for the first time as friendly functions. It was agreed that if a country should tender its good offices to two countries on the verge of war, or at war, this act should not be regarded as unwarranted interference but as a friendly act. It was under this institution that Mr. Roosevelt succeeded in bringing Japan and Russia together at Portsmouth and so terminating, earlier than would otherwise have been the case, the Russo-Japanese War.

A second peace conference took place at The Hague in 1907. The task of improving the rules of war which had been begun at the first conference was carried forward at the second conference. The second congress, moreover, adopted in fact an institution known as the International Court of Prize. Then it adopted in principle the Court of Arbitral Justice, intended to be a true international court of justice, composed of judges by profession, whose tenure should be permanent. This latter institution was to be brought into being through diplomatic channels as soon as the nations should agree upon a method of selecting the judges. The reason the court is not in existence today is that up to this time such a method of selecting the judges has not been found.

Now, why did the Second Hague Conference vote for this Court of Arbitral Justice when we already had in existence, working successfully, the Permanent Court of Arbitration set up by the First Hague Conference? The reasons were several. In the first place, the Permanent Court of Arbitration was not a true court. Its decisions were to be based upon the principles of law but at the same time its functions were those of arbitration; and, as you know, the main object of the arbitrator is to bring about the settlement of a dispute; that is to say, he is more interested in that which often involves compromise, than he is in bringing out the true justice of the case, that which would tend to develop the principles of law and enlarge accepted practice.

Now, those of us who believe in this true court of justice for the world feel that international law would be built up by it in two ways. First, it would grow through the decisions of the judges themselves in cases actually coming before them, the judges being governed by previous decisions of the court—the way in which the great Common Law of England has grown. That process produces the most natural, healthy, sound, and permanent kind of law. Then it is felt that the existence of this court will invite the codification of certain spheres of law. An example in point is the way in which the provision for the International Court of Prize led to the London Conference of 1908–1909, at which the law of prize was codified. England declined to proceed with the project of the International Prize Court until that was done. Hitherto the law of prize has depended upon the interpretation each nation has placed upon it. One nation might set up as contraband that which another nation

declined to accept as contraband. Questions of how long an enemy's ship should be suffered to remain in a neutral port, whether merchantmen may lawfully be converted into armed cruisers after leaving home waters, and numerous similar questions, were differently answered by different countries. England said "we must know what we are undertaking." Therefore, at her instance, the conference met at London and evolved the London Convention which codifies the law of prize. When the present war began, Germany announced her willingness to accept the Convention. On the other hand, England, who had not yet ratified the Convention (owing to the opposition of the Lords), proceeded to modify it and proclaimed it in this modified form. France did the same. It was accepted in its original form by the United States Senate but not promulgated by the President, who took the position that the United States could not accept a convention in which several nations had introduced their own amendments not agreed to by all. But the history of the London Convention shows how the existence of an international court will invite the codification of certain spheres of international law. I use that term advisedly because it is a tremendous undertaking to codify the whole body of international law, nor is it certain that it is advisable so to do: it may become too rigid.

Now, that project of the Second Hague Conference, the Court of Arbitral Justice, was accepted by the forty-four nations participating in the conference. It was indorsed in 1912 by the Institute of International Law. It has been supported earnestly by all the powers, including Germany, France, and England; and every lawyer, every man who feels what justice means, approves of it. There is no difference of opinion as to the desirability of putting it into effect.

The name of the proposed court, the Court of Arbitral Justice, is misleading. The word "arbitral" does not belong there. It was put in because Germany insisted on its being there. The word "court" carries with it the idea of obligation. When a court in municipal law renders a decision, usually an obligation goes with it. Germany was not ready for anything obligatory in international institutions; therefore her demand. But a true court of justice is none the less provided for by the convention.

In 1910 a society known as the American Society for Judicial

Settlement of International Disputes was formed to promote this court. The society has had four annual meetings, the proceedings of which have appeared in four substantial volumes. Besides, it publishes a quarterly usually limited to one article on the subject by some prominent man. The Proceedings have been translated, have been liberally quoted by foreign publicists, and have made a profound impression upon public opinion not only here but in other countries. The distinguished foreign minister of The Netherlands, Jonkheer Loudon, said we had demonstrated the feasibility and the necessity for this world court.

Now, conjointly with this project there is in the minds of many of us a desire to have the world go a step farther and introduce the element of obligation.

Mr. Hamilton Holt is one of the principal advocates of this latter idea, which is nothing less than a league of peace. The subject was put forward by him in September in *The Independent*. Then he came forward with the suggestion that we should have a public conference. We first got together a group of about twenty scientific men, professors of political science, of international law, of history, of economics, threw the subject into the arena and had it torn to pieces by them at three meetings held at the Century Club in New York. In this way was worked out what we regarded as a "desirable" plan. We then took this "desirable" plan and on April ninth laid it before men of wide practical experience, including Mr. Taft, and Mr. A. Lawrence Lowell, in order to ascertain how much of it was, in their opinion, a "realizable" project. It was found that they were not ready to accept as realizable the whole of the plan of the first group, which was practically this: a league of peace which shall bind its members to resort to a tribunal for the settlement of all disputes to which a member of the league may be a party, and obligate them to use force, if necessary, both to bring the nation law-breaker into court and to execute the verdict of the court.

When the element of force is introduced in a plan it is found that the unanimity of opinion to which I have referred as applying to the Court of Arbitral Justice as at present proposed, and to similar purely voluntary institutions, no longer exists; that there is very great diversity of opinion as to whether force should be used against a nation under any circumstances. The reason for this

diversity of opinion is the shortcomings of the leagues of the past. The Quadruple Alliance, the Grand Alliance, and the Holy Alliance, all formed immediately after the Napoleonic wars, were by no means wholly beneficial. The Holy Alliance, set up between Prussia, Russia, and Austria in 1815, ostensibly to promote Christianity, but really to support dynasties and combat the democratic tendency of the times, operated in fact to suppress liberty in Hungary, in Italy, and in Spain. It was the Holy Alliance acting through France as a mandatory which overthrew the liberal form of government in Spain and restored full autocratic powers to the king. Then there were the partial successes and many failures of the Concert of Europe. The Concert of Europe has done some good things. It smashed the Turkish fleet in 1827 and liberated Greece. It has prevented more than one Balkan war. It has improved the lot of the Armenians in Turkey. But it has had many failures, this present disastrous war the most conspicuous of them. Then there were these groups like the Triple Alliance and the Triple Entente, which, though set up for purposes of peace, have really given to the present war its broad character. All of us felt that, owing to their existence, when war came again to Europe it must be a general war. The breaking out of the war surprised many people; its extent surprised no one.

Manifestly, then, the first step in planning a league of peace is to find out why the leagues of the past have failed. I think the answer lies in one thing: the narrowness of the group composing the league, permitting of the triumph of selfish interests, permitting of collusion, the swapping of favors, and resulting in injustice and oppression. That is what men fear.

Now, many of us believe that if we can set up a league so broad as to include all the progressive nations, big and little, it will be permanent and successful. Such a league would include the eight great nations of the world, among them the United States and Japan. It would include the secondary powers of Europe—Switzerland, Norway and Sweden, Denmark, Belgium (such as it was and such as it will be again), Spain, Greece, and, in fact, all the countries of Europe with the possible exception of some of the Balkan states and the certain exception of Turkey. The "ABC" countries of South America would also be included. It would not include the backward countries, because we feel that the country which cannot

maintain law and order within its own borders would bring no strength to the league.

We believe that such a group would be successful. In the first place, it would embrace three great nations with common political ideals—England, France, and the United States. These three peoples feel that democratic government is no longer a passing phase of political experiment but a permanent fact in politics. Therefore they would cling together. Then you have in the group two great nations—Great Britain and the United States—who may be said to be satisfied territorially; you have the secondary powers of Europe who have no disturbing ambitions and whose voice would be for reason and justice, so that we think that if we could get these states associated together in a league, substantial justice would emerge, just as substantial justice results from the united action of the forty-eight states composing the American Union.

Whether you believe this league is practical or not depends on your answer to the question whether justice would emerge from its united action. Unless it does justice it cannot endure. Unless it does justice we don't want it: we don't want oppression. Injustice within a country—persistent injustice—sooner or later brings war; if not civil war then foreign war, or both; just as gross injustice in the conduct of a war will draw into the struggle an ever-widening circle of nations, because there are irresistible forces which insist that justice shall emerge finally in the world.

Now, it was not proposed that this league should itself pass upon disputes. All it would do is to insist that members, party to the league, or any nation having a dispute with a member of the league, shall not resort to war. It may refer the disputants to existing institutions at The Hague or to other institutions to be hereafter set up. They shall be privileged to go on with their dispute indefinitely if they choose, but they may not resort to war. The United States, under this plan, would have been permitted to continue the Fisheries dispute with Great Britain, as it did, for three-quarters of a century without interference; but if either Great Britain or the United States had shown a disposition to resort to arms the league would have been invoked and would have used its combined forces to prevent aggression.

There are four ideas or stages in the conception. The first is simply a true court of justice to which nations may refer their dis-



putes, if they see fit to do so. This is the court called for by the Hague Convention of 1907 under the name of the Court of Arbitral Justice—simply a voluntary institution. To this institution we find no objectors. Practically all the governments of the world have endorsed it, peoples have endorsed it, experts and plain men have endorsed it. In other words, it is a realizable project. It is therefore well to keep the movement for a world court quite distinct.

Now, the second stage of the larger and more problematic project is a league in which the element of obligation enters to this extent, that the members of the league, if you call it such—parties to the treaty—should obligate themselves to resort to the court. There is no such obligation embodied in the present Hague Convention. Like all our other international institutions, it is there for the nations to use or not, as they like.

In the third stage, the element of obligation is extended to forcing the nations into court. That is to say, if war threatens, we say to the disputants, "You must refer this dispute to the court. We will not force you to carry out the award nor do you bind yourself to do so, but you must go into court and have a hearing."

Now, many men have come to realize that publicity is three-quarters of the battle for justice. Very often simply bringing out the facts stops not only illegal practices, but also unjust practices not covered by the law, and does it without resort to a court or even to arbitration.

The fourth stage is enforcing the award, admittedly giving rise to the danger of oppression unless you have all the progressive nations in the league so that substantial justice would result from its action. The meeting of April ninth, to which I have referred, was unwilling to accept the fourth stage of this plan, namely, enforcing the verdict. Men like Mr. Taft, with his wide experience, Mr. Lowell, who has made a study of governmental institutions, in fact all except two out of the twenty eminent and experienced men gathered at that meeting, were, however, willing to adopt the first three stages of the plan as a "realizable" project, namely, the court, the obligations of the states to each other to go into court, and the obligation of the League to force the nation law-breaker into court if recalcitrant.

If there is no obligation on the part of the nation entering the court to abide by the verdict and the league itself will not enforce

the verdict, surely no oppression can result from the demand for a hearing. It is a reasonable demand as applied to any controversy whatsoever, whether it be a justiciable controversy or a controversy arising out of a conflict of political policies. The league would simply act as an international grand jury to hale the nation law-breaker into court for a hearing. That is as far as the meeting of April ninth was willing to go, and that is the project which the notable gathering at Independence Hall, Philadelphia, on June seventeenth, made the program of the League to Enforce Peace. By starting with this minor project we get something which is practicable and out of the minor project, the larger plan may grow of its own accord.

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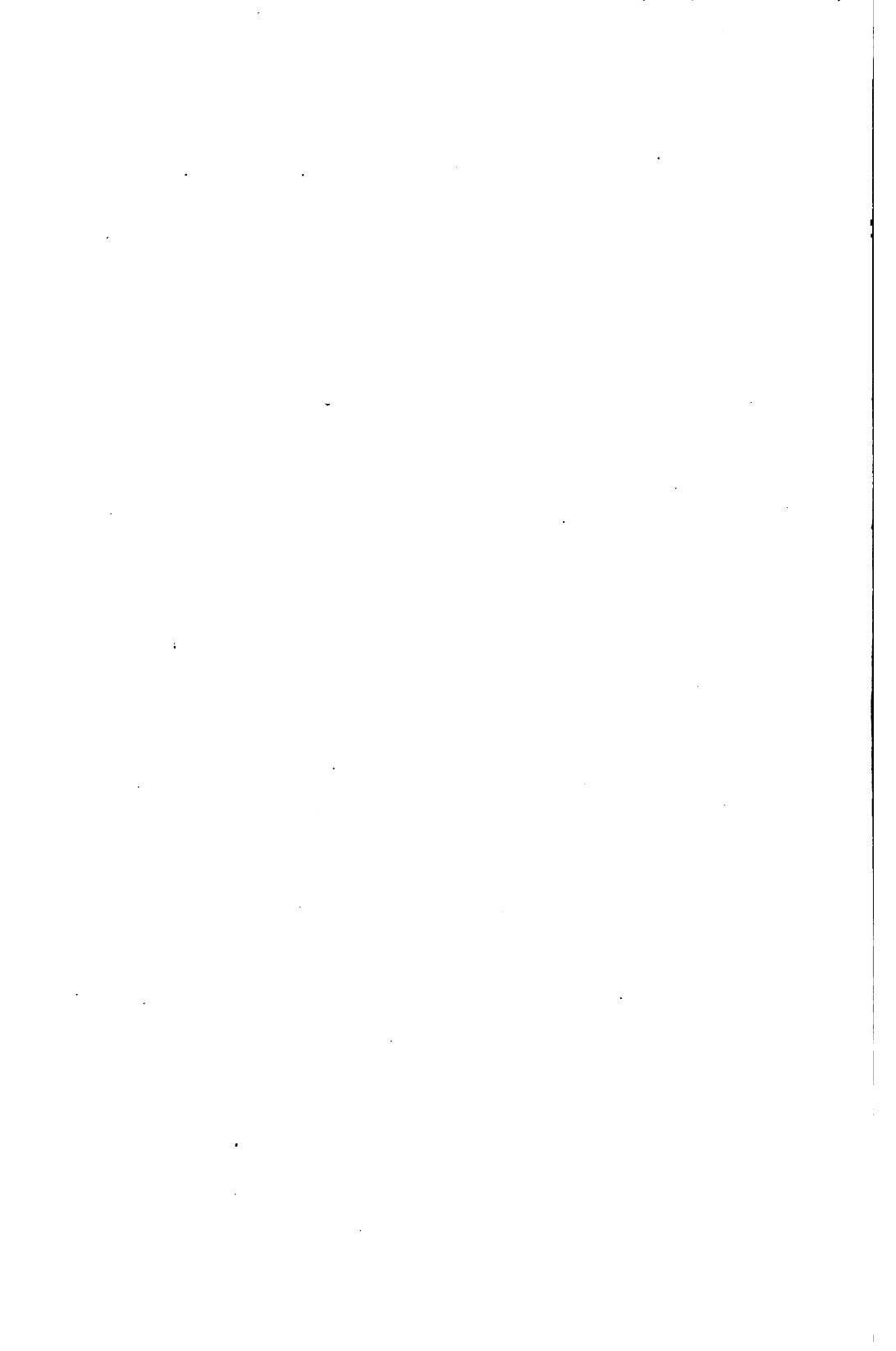
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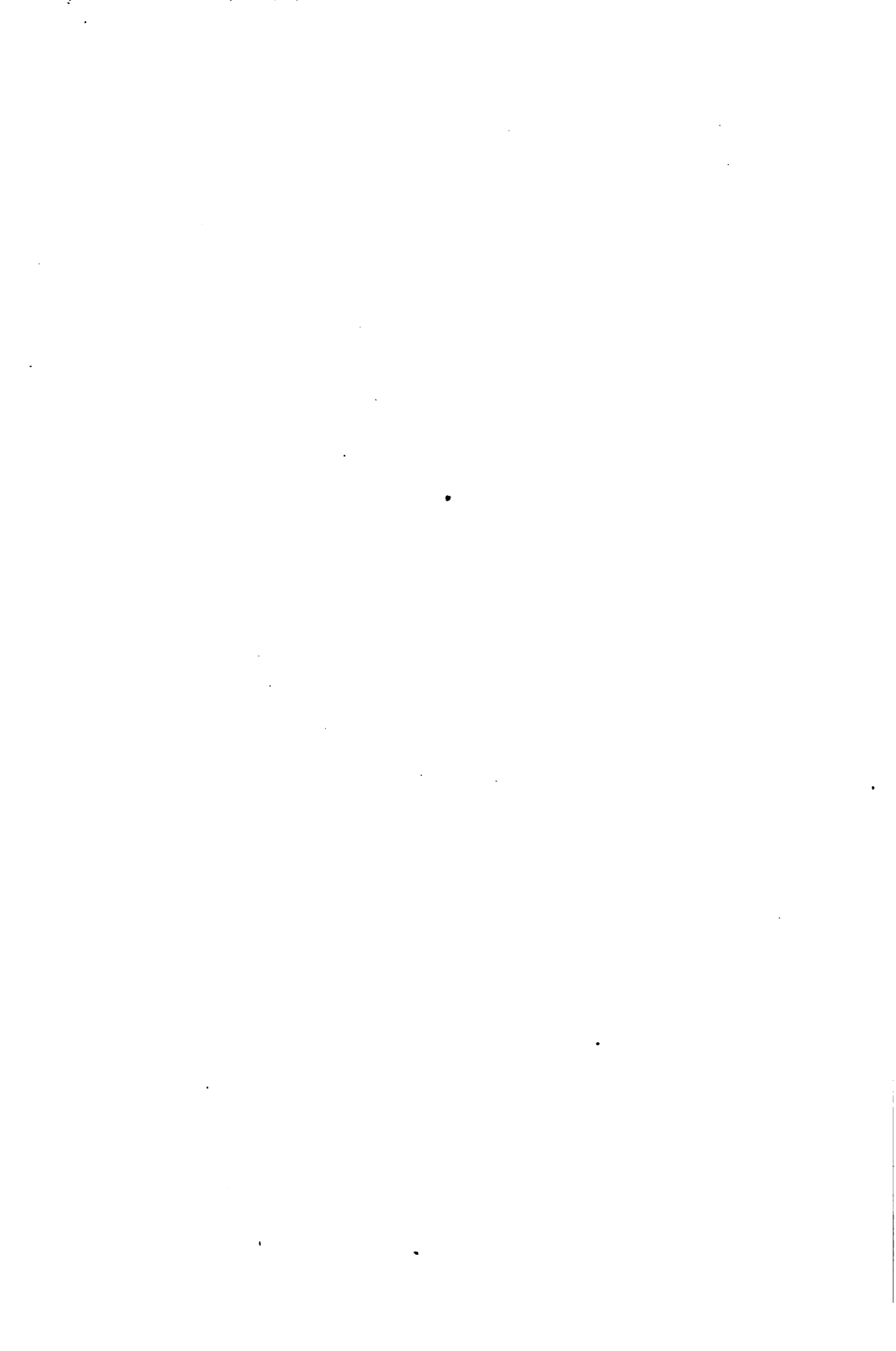
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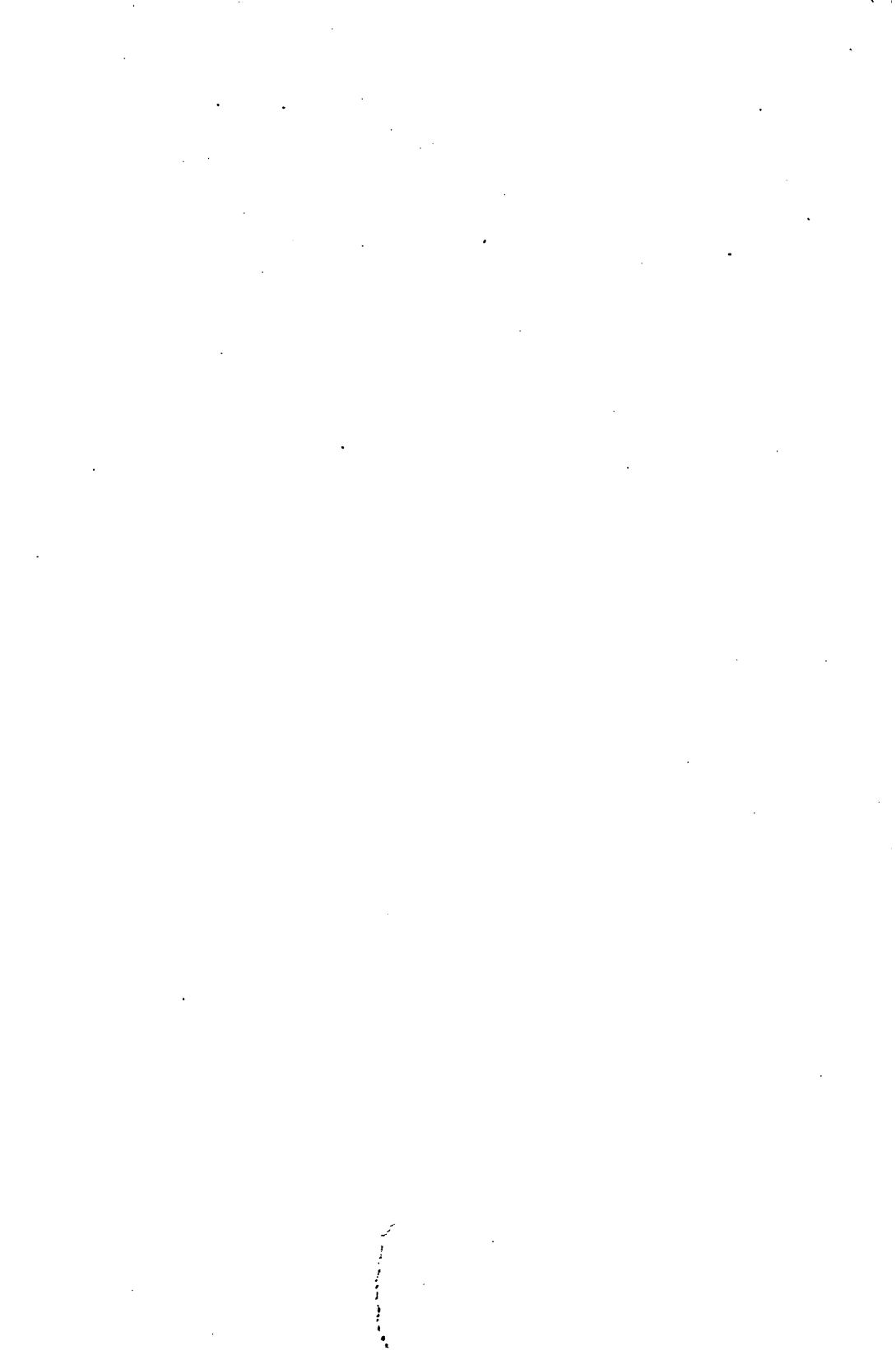
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